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PRESIDENT PROMULGATES LAW TO PROMOTE OIL PRODUCTION

Lima EL COMERCIO in Spanish 28 Dec 80 p 1

[Text] President Fernando Belaunde Terry promulgated a law altering certain articles of the oil statute approved 13 days ago by both houses of the legislature, after a heated debate in which Minister of Energy and Mines Pedro Pablo Kuczynski participated.

The law involved is number 23231 and is dated 26 December. The five articles of its text were published yesterday in the official daily EL PERUANO, and it was signed by President Belaunde and the aforementioned minister.

The law which, according to official government sources and the President of the Republic himself, is designed to ensure oil supplies for the domestic market and to develop prospecting and drilling of new wells, has for the last few days held the attention of different political sectors. This is particularly true of the government's opposition who has declared itself openly against the goals of the law.

However, Minister Kuczynski, supported by President Belaunde and by his fellow cabinet members, as well as outstanding leaders of the Popular Action Party and the Christian Popular Party, has been defending the government's oil policy all along.

This position was echoed in the speeches made in both legislative chambers, where the scope of the project was explained. Its target was shown to be the intensification of oil, exploration with the participation of domestic and/or foreign capital, thus increasing the incentives for reinvestment.

In the course of the debate on the draft resolution, the ex-minister of economy and finance of the former government, Javier Silva Ruete, also spoke. He took the opportunity to make public grave charges against oil policy of the constitutional government, therefore engaging in a contentious argument on television with minister Kuczynski last week.

President Belaunde reaffirmed on Friday that the whole question of the regulations governing the law will be the subject of wide discussion.

7129

CSO: 3010

ISRAELI ARMS SALES TO LATIN AMERICA DETAILED

Caracas BOHEMIA in Spanish 26 Jan-1 Feb 81 pp 40-41

[Article by Jesus Seguias: "Israel Arms Latin America"]

[Text] According to statistics provided by the United Nations, exports of arms from the United States, France, Great Britain, and West Germany have gone up over the past 10 years, characterized by the economic recession, to a much greater extent than during earlier decades, when prosperity prevailed within the international capitalist system.

During that decade, the share of arms trade with countries of the Third World came to 80 percent for the United States, France, and England.

The biggest buyers of the Third World were the countries of the Middle East, some Asian nations, and the Latin American countries. In that latter area, the leading customer nations initially were Brazil, Venezuela, Chile, and Peru, later on, almost all of the other Latin American countries were added.

In 1976, roughly, the United States was the chief supplier of arms for Latin America. When President Carter launched his policy in defense of human rights and the isolation of military dictatorships, United States arms sales on the continent were practically frozen. This important vacuum has been filled by Israel. The Latin American market therefore constituted an important gain for the Israeli economy which was in a critical situation, as we saw in an earlier report.

We maintained that the main source of foreign exchange for Israel currently is the export of arms, especially to Latin America. We would thus not be far off in saying that the strengthening of the Israeli economy to a great extent depends on armed conflicts and domestic and foreign tensions among Latin American countries. Now, with the victory of Ronald Reagan, it is almost an accepted fact that the armament industry of Israel will run into a strong competitor on the American continent. But we shall see what we shall see. In the meantime, what were the mechanisms used by Israel in selling its arms to the Latin Americans.

Israel and the Military Dictatorships

According to information published by the London Institute of Strategic Studies and the SIPRI (Stockholm International Peace Research Institute), Israel recruited its customers until a short time ago among countries involved in territorial conflicts or among right-wing dictatorships.

Today, Israeli arms--especially the Kfir aircraft--are offered to all American nations. Mexico, Colombia, Venezuela, and Ecuador received them from Israel's salesmen.

Israel and the Soccer War

When Honduras and El Salvador faced each other in 1969, starting the rather strange "Soccer War," they were among the first customers of IAI (Israeli Aeronautical Industry), purchasing cheap aircraft, that is to say, those that were no longer of any use to Israel after the "Six-Day War" in 1967.

Afterward, in 1973, Israel and El Salvador decided to open embassies in San Salvador and Jerusalem. Parallel to this diplomatic approach, arms imports continued to that Latin American nation.

But, to avoid the distaste of the Hondurans and to prevent the loss of that other market, Israel decided to sell them 12 French aircraft in 1976, equipped however with United States Pratt & Whitney engines. This caused the first controversy with the United States who opposed that renegotiation. But it did no good. Years later, Carter authorized the sale of the "Kfir," another hybrid which uses the JA-79 engine.

Right now, according to the latest reports, not including the possible shipments that might be reaching the Salvadoran Christian-Democratic civilian-military junta, Israel has supplied El Salvador with 18 "Hurricane" bombers, six Fouga trainers, and five Arava. Honduras also has 12 Super-Mystere, three Arava, and one Westwind transport. These are the sales handled through IAI alone; that does not include sales by IMI (Israeli Military Industries), which produce the famous Galil assault rifle and the Uzi submachinegun, used in large quantities by the troops of the ex-dictator Somoza.

Discovery of Barbados

In the conflict that arose between Guatemala and Belize, on account of the territorial claims of the former, Israel decided to sell a large lot of arms to the Guatemalans. That was in 1977. But Israel denied that aid the Guatemala. It was the people of Barbados who gave the lie to Tel-Aviv; they captured an Israeli ship carrying light weapons to Guatemala.

Argentina and Chile

When Argentina and Chile in 1978 were on the point of "having a go at each other" over control of the Beagle Canal, the Israelis found a suitable place to sell their arms. In the name of impartiality, they sold to both countries.

In November 1978, Israel sold 26 Mirage aircraft to the Argentines. Later on, when the confrontation with Chile reached its high point, Israeli deputy Samuel Flatto-Sharon served as middleman for the purchase of AA shells coming from Pakistan via Tel-Aviv. But, to maintain a balance in the area, Israel in January 1978 decided to give preference to the armed forces of Pinochet. To him it delivered parts and provided services for the maintenance of American C-130 transport aircraft. Earlier, a Chilean request for Shafir missiles--equipped with IR systems--caused opposition from the United States who at that time condemned the regime of Pinochet.

The main supplier of weapons of all kinds to the Somoza regime, during its most difficult days, was Israel. In spite of President Carter's decision to oppose the sale of arms to that country shaken by a cruel civil war, Menahem Begin decided to continue to help Somoza, in spite of his promise to the Americans not to do that. It was only possible to stop the delivery of two missile-firing ships and armored vehicles. But that was only for the sake of appearances. The fact is that weapons continued to reach Nicaragua in large amounts.

The United States intelligence services found out that David Marcos Katz, the representative of IMI for Central America, had in effect been charged with facilitating a big shipment of Galil rifles to Somoza. Katz, who belongs to the extreme right-wing movement Gush Emunim, however has his office in Mexico and ran into protests from the Mexican Socialist Party. Apart from Katz, more than 20 Israeli delegates remain in Latin America, charged with selling arms. Which ones are assigned to Venezuela and Colombia, countries with major border disputes to resolve?

Israel must be aware of the presence of important competitors in Latin America. On the one hand there are the new arms producers on the continent, that is, Brazil, Argentina, and Mexico, plus another five nations that intend to create their own arms industries.

But the most dangerous competitor for Israeli arms will be the United States under the administration of Ronald Reagan.

This new situation--which is both very interesting and worrisome at the same time--will bring about tremendous changes for Latin America.

In further articles we will provide details on the new policy to be pursued by the White House in Latin America.

Many of the data supplied in this article were taken from LE MONDE DIPLOMATIQUE, September 1980.

5058
CSO:3010

FIGUEIREDO NOT TO TRAVEL TO PRC IN 1981

Sao Paulo FOLHA DE SAO PAULO in Portuguese 9 Jan 81 p 5

[Article by Gerardo Mello Mourao: "Figueiredo Not Going to China in 1981"]

[Text] Beijing--Speculation in the Brazilian press about an invitation from the PRC Government to President Joao Figueiredo for a visit to China was followed by an abrupt denial from the press attache of the Chinese Embassy in Brasilia. The report was based upon the president's meeting with the Chinese ambassador during a reception. The ambassador is an effusively friendly and cordial diplomat with an irresistible and captivating personal charm. In his enthusiastic meeting with Figueiredo, which even aroused the jealousy of Soviet diplomats, the ambassador asked the president when he would like to go to China. Figueiredo's highly spontaneous temperament brought forth a reply every bit as amiable as the ambassador's words: he was very eager to travel to Asia.

So it is clear that the invitation was extended only informally with the customary facility of diplomatic manners and without the slightest obligation for either party.

No Invitation

Yesterday I went to see Ambassador Han Su, in charge of the PRC Foreign Ministry's Department of the Americas, hence the person best qualified to speak about the invitation to the Brazilian president from the People's Republic. Ambassador Su, who is, by the way, one of the most important persons in the Foreign Ministry, will play the most significant role in Chinese diplomacy during the next 4 years and will be one of the leading figures in Peking's international policy. First head of the Chinese mission that reactivated relations with the United States and thus occupying the same position that on the American side was entrusted to current Vice President-elect George Bush, Ambassador Su has excellent access to Mr Bush, with whom he met in Washington recently shortly after Reagan's election.

I asked Mr Su what had really happened in the case of the Chinese government's invitation to the president of Brazil. The ambassador made one thing perfectly clear: one could not as yet talk in terms of an invitation unambiguously sent and received.

Welcome

On the other hand, the head of the Brazilian government will, of course, always be welcome in his country. Specifically regarding the invitation, it can only be said

that as of now the matter obviously does not yet have a legal existence, although it has been a subject of conversations.

Mr Su then repeated more or less what seems to have been said by the press attache of the Chinese Embassy in Brasilia; that is, that President Figueiredo already has a very heavy schedule for 1981.

It might not be too difficult for an expert at deciphering diplomatic code to suggest that this reference to the president's agenda is merely one way of lamenting the president's approaching trip to Moscow. Furthermore, the invitation suggested by the capable ambassador of China in Brasilia was a clever maneuver to show that President Figueiredo, even though he is going to the Soviet Union, is not in any way endorsing Moscow's anti-China policy. In these sugar-and-spice skirmishes of the diplomatic game everyone manages to come out unscathed and correct. Including the Brazilian president, who transformed his meeting with the PRC ambassador into a kind of endorsement by Beijing of his passport to Moscow.

8834

CSO: 3001

MEC REFUSAL TO MEET UNE PRESIDENT DRAWS RESPONSE

Ludwig Refuses Meeting

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 8 Jan 81 p 12

[Text] Brasilia--Education Minister Rubem Ludwig said he did not see any condition for or anything to be gained from a meeting with the president of the National Students Union (UNE), Aldo Rebelo, a youth whom he believes "must be seeking to assert himself." According to the minister, the relations between the Ministry of Education (MEC) and the students will proceed in a regional manner on the basis of the legal student representations that exist in the universities.

His position with regard to the announced meeting with the leadership of UNE was revealed yesterday by his spokesman, Antonio Praxedes, after analyzing with Ludwig the statements made by Aldo Rebelo regarding the refusal of the MEC to promote the meeting and the behavior of the education minister, whom the UNE president described as "a stranger in the MEC."

The spokesman declared: "The minister was again surprised by the intemperate language and the lack of respect for the individual shown by the youth, Aldo Rebelo. And he does not understand what sort of dialog it is that is based a priori on attacks. Everything leads one to believe that the boy is seeking to assert himself."

Rubem Ludwig really believes in the beginning of a new era in the MEC-student relationship. "The educational problem has regional characteristics and for that reason, the minister plans to listen to the legitimate state representations based in the universities. That is the new formula of dialog the minister plans to establish to head the real aspirations of the students," declared Antonio Praxedes.

UNE Replies With Demands

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 13 Jan 81 p 12

[Text] Brasilia--UNE President, Aldo Rebelo yesterday submitted a letter to the MEC addressed to Education Minister Rubem Ludwig which included 10 basic demands, among them the federalization of bankrupt schools, the write-off of educational credits and direct elections for rectors and administrative positions in the universities.

"The minister attacked the president of the UNE in an irresponsible manner when he questioned his stability," said Aldo Rebelo, commenting on the statements of the MEC spokesman, attributed to the minister, to the effect that Rebelo is a youth and

is seeking to assert himself. The controversy began with the refusal of Minister Ludwig to receive a UNE delegation that was going to hand him personally the letter that was submitted yesterday, because Aldo Rebelo had termed him "a stranger in the MEC."

Demands

"You may be sure that we will go out in the squares and streets for them and, who knows, until we are received by Your Excellency," says the UNE president regarding the demands, which are as follows:

1) More appropriations for education and a minimum of 12 percent of the federal budget for the MEC; 2) establishment of a single annual rate of increase to be negotiated between the students, schools and the MEC; 3) the end of the reviews, charges, surcharges and illegal charges; 4) supplementation of appropriations for public schools; 5) budgetary endowment for schools, with a minimum correction of the inflation rate for the last 12 months; 6) write-off of the educational credit and its conversion into a nonreimbursable scholarship; 7) subsidies for nonprofit private schools; 8) federalization of bankrupt schools; 9) democracy in the university with direct elections for rectors and the other administrative positions; 10) one-third student representation in collegial organs and the guarantee of one-fifth as specified by law.

Supernatural

In response to the minister's criticism, Aldo Rebelo stated in his letter that the students have not acquired "the supernatural gift of one-sided dialog that Your Excellency and your government surely have, and permit us to list this one more fact as witness to the intransigence we have been denouncing." The president of the UNE points out that the students remain ready to dialog "and the doors of the UNE are open to all those including General Ludwig who are interested in discussing the problems of education and of the country. We do not demand the passport of prior agreement with our ideas or purposes.

"We stated and we continue to state," he said, "that the selection of General Ludwig could not have been more authoritarian and unfortunate. Authoritarian, because it bypassed consultation with the students, professors and officials and imposed a general, and a general connected with the security community of such sad memory in the mind of the nation. Unfortunate, because it went to one who had the least qualifications and merits to occupy the position and, therefore, we consider him a stranger in the MEC."

Communist Charge Refuted

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 10 Jan 80 p 8

[Text] Curitiba--The directorate of the UNE is studying the conduct of a magazine belonging to the Abril publishing group in its coverage of the organization's 23d national congress, held in October of last year in Piracicaba. The president, Aldo Rebelo, revealed in Curitiba yesterday that the organization may even take legal action because the magazine identified the leaders of the UNE as members or, at the very least, sympathizers of the Communist Party of Brazil (PC do B).

Rebello, who has been in Curitiba since the day before yesterday, and who presided yesterday over the opening of a national meeting of law students, declared that the material published by the magazine is only aimed at providing a cover for the government, which is interested in portraying us to the general public as leftist radicals." According to him, "if the UNE were linked with any political party, including the government party, it would be a betrayal of the charter of principles that establishes us as a nonparty organization, drawing together students from all over Brazil." But he stressed that that not prevent its members, individually, from having political convictions: "That is how the UNE can draw together, individually speaking, everybody from members of the PC do B to members of the Social Democratic Party (PDS) or the TFP."

Rebello also criticized the performance of General Rubem Ludwig as the head of the MEC, declaring that he does not have the necessary qualifications to be in the Ministry inasmuch as since he assumed the position he has not done anything positive to justify his presence there.

8711

CSO: 3001

NETTO SAYS EMPLOYMENT MAINTENANCE HAS TOP PRIORITY

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 22 Jan 81 p 30

[Interview with Planning Minister Antonio Delfim Netto by Antonio Carlos de Godoy, Celso Ming, Jose Marcio Mendonca and Milano Lopes: "Government Will Maintain Employment Level"; date and place of interview not given]

[Text] "The fight against inflation has priority, but employment has an even higher priority," asserted Planning Minister Antonio Delfim Netto in an exclusive interview with O ESTADO DE SAO PAULO and JORNAL DA TARDE, in which he listed the major objectives of economic policy. According to the planning minister, the first problem is the balance of payments, the second is inflation and the third is substitution of petroleum by other forms of energy.

Delfim sees no reason to view this year with pessimism. He says everything will continue as in 1980, a year in which "nothing dramatic happened." Now, the planning minister asserts, "they can begin saying that 1982 will be difficult."

After noting that foreign funds are coming into the country normally, Delfim explained that the government is trying to reduce excess expenditures, the major cause of the inflationary process. "What we are trying to curtail is excess demand, which we are managing to do very slowly. In 1980 it was reduced significantly. Of course, we had some additional problems; the increased price of petroleum was much greater than expected, but I don't see any reason to expect this to cause a recession or a reduction in employment. Rather, I expect there will be some reallocation toward exports."

"I may be mistaken," he said, "but exports will be the big surprise of 1981."

The planning minister thinks the forecast of 5 percent growth for Gross Domestic Product in 1981 is reasonable, with agriculture expanding between 6.5 and 7 percent and industry between 5 and 6 percent. This confirms, according to him, that employment will not be reduced. "To solve Brazil's balance-of-payments problem by classical methods would require a massive recession, something gigantic."

Hence, this path was not proposed, nor did the IMF make any suggestion to that effect. It is not the appropriate thing to do."

Delfim thinks the export goal of \$26 billion is perfectly feasible, because "Brazil is such a small factor in the international market that it has the advantage of not being important."

[Question] Mr Minister, would you explain the new policy for monetary correction?

[Answer] We shall follow the INPC [National Consumer Price Index] closely. For instance, if we find that the INPC went up 75 percent during the year, the correction would be more or less the same. Exchange correction will be monetary correction discounting a little foreign inflation. I say "discounting a little" because we don't have a very rigid rule, but it will certainly be less than monetary correction.

[Question] But the parameter is also the INPC?

[Answer] Yes. The fact is that the INPC is the best inflation indicator we have. The indicator of inflation in the industrial sector is undoubtedly the IPI [Finished Goods Tax], which has not had any change in rates. If we compare them, we shall see that last year the IPI increased the same as the INPC. The only explanation we really have for this is that exports of manufactured goods continued increasing at a 35 percent annual rate. Some people are calling for a more rigid definition, but this is quite unnecessary; it is better to leave a degree of freedom. These are the parameters we are going to follow: keep everything close to the INPC. In effect, wages are being transformed into a unit of measurement.

[Question] The minimum wage or middle-class salaries?

[Answer] The wage that is indicated by the INPC.

[Question] Until now it was the minimum wage, which is the INPC plus 10 percent.

[Answer] That is another matter. The salary of the person making less than 5 times the minimum wage will increase a little more than the INPC, and this will continue producing income distribution.

[Question] Has the wholesale price index been abandoned as an inflation indicator?

[Answer] It was not been abandoned but it happens to be very sensitive to variation in the price of petroleum.

[Question] And what if the INPC and the IPA [Wholesale Price Index] converge?

[Answer] That would not be significant. If they converge, that would be the end of it; at least, that would be the end of this discussion. I haven't the slightest doubt they will converge, to the extent that oil prices have less effect.

[Question] You have spent a great deal of your time talking with businessmen about the year 1981. There is a certain pessimism at the beginning of this year. The government will spend less; state enterprises will spend less. So what do you

think will happen in the consumer-goods market, in the investment-goods market, in the labor market?

[Answer] What is this inflation we have? It is certainly excessive spending. If spending is reduced, why must production be reduced? If it is reduced, what is affected? What we want to reduce is excess demand, which we are very gradually managing to do. It was reduced significantly in 1980. Of course, we had some additional problems; the increase in petroleum prices was much greater than expected. But I see no reason to expect this to bring on a recession, to reduce the level of employment. Rather, I expect to see a certain reallocation toward the export sector. I may be mistaken, but exports will be the big surprise of 1981.

[Question] There are figures--as yet unpublished--that leave some doubt as to the question of conducting the fight against inflation on the monetary side. We had an inflation rate of 110 percent in 1980 and the Central Bank has just announced--in preliminary figures--that the money supply expanded 60 percent. The monetary base did not even expand that much: 54.8 percent.

[Answer] There is no short-term linear relationship between the money supply and prices. If we continue to expand the money supply at 60 percent, sooner or later prices will rise 60 percent; this is clear and certain. How long this will take I don't know; it is a matter of adjustment. But what is certain is that we cannot control inflation without some control of the money supply, even acknowledging that inflation is not an exclusively monetary problem. There is no possibility anywhere in this world of reducing inflation without first having reduced the money supply. Moreover, this is based upon our own past experience.

[Question] But how are you going to reduce the money supply this year, with this monstrous mass of subsidies, the like of which we have never had before?

[Answer] It is very simple.

[Question] It amounts to almost 1 trillion cruzeiros.

[Answer] It isn't that much.

[Question] There is the subsidy to agricultural credit, to the industrial sector, the BNDE (National Economic Development Bank)...

[Answer] All this is within the monetary and fiscal budget. The big thing that happened is that all of this was put within the budget. There could be a large subsidy and, as long as it was financed through taxes, it would not cause inflation. A subsidy is inflationary to the extent that it requires expansion of the monetary base. The subsidy in itself is not inflationary. If I charge one person a tax and turn the money over to someone else as a subsidy there is nothing inflationary in this at all; demand simply passes from one person to the other. What is inflationary is financing the subsidy by expanding the monetary base. Today we are reasonably sure of perhaps being able to end the year with a 50-percent inflation of the monetary base. The bulk of the work has been done.

If you look at what we did with the base from last August until now you will see that it was an immense job; it was compressed, squeezed, and today we have very

little to gain from the monetary base, because it has grown 54 percent over the last 12 months. And I have no doubt we should be able to finish June, as long as there is no accident--as I hope--running at about 50 percent a year.

[Question] You mean to say that this whole mass of subsidies will be absorbed by the fiscal budget alone?

[Answer] It is being absorbed by the fiscal budget and the monetary budget.

[Question] Without the need to create more taxes?

[Answer] What was necessary to create, we created. Now there is no more room to create taxes; we are already on an annuity basis.

[Question] The government appears to have trouble reducing subsidies as it intended, and yet others were created.

[Answer] None was created; there is no creation of subsidies. What the government had trouble with was a certain misunderstanding about the subsidy. People think that when the interest rate goes from 35 percent to 45 percent the subsidy is being reduced, whereas, if we compare, it is really increasing. This is a complicated problem because people are trapped in a certain money illusion. But we are reducing the subsidy; it ended on wheat, on bread, on milk; it ended on meat, on petroleum.

[Question] There is nothing left?

[Answer] The account is closed.

[Question] You mean from now on we will have price increases only in keeping with inflation?

[Answer] In keeping with prices. We are on the way to \$40 a barrel without the slightest doubt.

[Question] What average price are we paying for a barrel of petroleum?

[Answer] It must be about \$36.50; 2 months ago it was \$33.

[Question] Do you think we shall succeed in importing only 750,000 barrels a day?

[Answer] I think we have a chance. Very strong pressure for substitution is produced, obviously, by the price adjustments. When you look at the statistics it is a surprising thing, especially when you see the increased efficiency in use of petroleum. Brazil's economy grew 8.5 percent and petroleum consumption fell 1.5 percent. Brazil really saved 10 percent, which is a huge savings. This was done by prices.

[Question] Then removal of subsidies is the answer?

[Answer] This shows that we really have no other way out.

[Question] But diesel fuel today is subsidized.

[Answer] Diesel fuel is a product that must be adjusted more promptly than the others.

[Question] We noticed the alcohol program is doing well. But the coal program is almost at a standstill. At least, businessmen complain that they have no guarantee of supplies; they don't know what to do.

[Answer] It is not true that it is stalled. On the contrary, the Mines and Energy Ministry is giving great emphasis to coal. The trouble is that with coal the problem is more complex. There is the problem of transportation, the problem of fixing up the railroad and the ports. But this is not stalled. It is a little slower in its response, but it is not stalled. Moreover, no energy program is stalled.

[Question] What about the idea to make alcohol for export?

[Answer] It is an idea that makes sense. If, together with PROALCOOL [National Alcohol Program], which is a very ambitious program, alcohol could also be developed for export, that would be fine. Alcohol is being sold today at \$60 a barrel. But this doesn't amount to anything yet.

[Question] Are there surveys?

[Answer] There is nothing specific.

[Question] Despite this effort being made by the government to control expenditures, to get back down to earth and away from that earlier policy of "pharaonic" projects--some are still in progress, such as the nuclear program--some problems have arisen in the economy, such as unemployment in the automobile industry and in the capital-goods sector. What would the government do in case of worse unemployment?

[Answer] We have no serious problem right now. We had a problem in Sao Bernardo. We certainly have a problem in the capital-goods industries, which are maturing; there are a dozen industries set up for programs that are all being terminated. All the projects now in progress--except for the atomic-energy program, of course--will end in 1982 or 1983. And there will be room to take up the slack with other projects. These industries will have demand until then. It is thought that the government should go around announcing big projects, something absolutely incompatible with our present situation. But surely no one expects Brazil to stop building Itaipu or that the government, when it finishes Itaipu and Tucuruí, will come to a halt and do nothing more. Of course it will have other things to do, but in an orderly fashion, after 1982 or 1983. But, until then, our capacity for big projects is exhausted.

[Question] In this area of increasing expenditures, one of the things hard to understand is PREV-SAÚDE [National Program of Basic Health Actions], which will incorporate 40 million needy persons in the National Health Program, ostensibly without increasing expenditures. If INAMPS [National Institute for Social Security Medical Assistance] is already running a deficit and already has serious cash-flow problems, won't these expenditures increase explosively if it incorporates 40 million more people?

[Answer] These 40 million people are already receiving health care, in one way or another. What PREV-SAÚDE will do, as I understand it, is organize and systematize the care of these people. The expectation is really to improve the quality of health care without any dramatic increase in expenditures.

[Question] You mean to say 40 million more people can be cared for?

[Answer] It isn't 40 million more, because these people, in one way or another, are already being cared for. They're not sleeping in the streets.

[Question] That isn't what the official PREV-SAÚDE material says.

[Answer] They are being incorporated by systematizing hospitals and health care. But there are not 40 million people in Brazil outside the health-care system. Where would they be?

[Question] The state-enterprise budget establishes an appropriation of 1.1 trillion cruzeiros for the social security sector.

[Answer] That is the total expenditure, but it is financed almost entirely from social-security taxes. Social security right now really does have a lag and we are trying to come up with a way of closing it. Essentially, it is in debt to the banking sector. It is clearly a cash-flow peak, a financial difficulty. I think we shall be able to close it by the end of this quarter.

[Question] Minister Jair Soares has said that the government owes--or, rather, owed at the end of 1979--52 billion cruzeiros that have not yet been paid.

[Answer] The federal government, as a matter of fact, has not kept up with its payments to the institute. Your point is a somewhat different matter. By law the federal government is obligated to pay the administrative cost of INAMPS and this is what it has not done--since 1973. What we have to cover is the institute's operating deficit and this is really small; I guess it is a matter of 50 to 60 billion cruzeiros a year.

[Question] One question on our agenda is this savings campaign. Some sectors are worried about the danger of such a campaign leading to wage recession; that is, the person encouraged not to consume will save his money and this will have an impact on industries that produce such consumer goods.

[Answer] This campaign is not to reduce consumption. The most it can do is modify the structure of consumption. The money that will be appropriated by this campaign returns to the system through investments. What do we have in Brazil today? An excess of investment and a shortage of savings. And you finance the difference in an inflationary manner because, really, you are producing inflation and producing the deficit in the current account. To the extent that I bring these two accounts into balance I reduce the deficit in the current account. Let us suppose that we have tremendous success and that it actually represents an increase of 100 billion cruzeiros on deposit in the Federal Savings Bank. This would not be unproductive. It would come back into circulation immediately, financing whatever project is available.

[Question] What about interest rates? It appears to be the government's intention to increase, or permit an even greater increase of interest rates in the financial market.

[Answer] The floor under interest rates today is the foreign interest rate plus exchange correction. We must borrow more money abroad and there is no way to change this situation. The foreign interest rate is falling a little; today it is about 17.5 percent. It is not an overwhelming figure; it could go to 21 percent. To the extent that it falls, domestic interest rates will adjust, as is already happening. One thing is important: foreign capital, foreign borrowing must be a little bit cheaper than domestic borrowing.

[Question] How much cheaper is "a little bit" cheaper?

[Answer] Between 5 and 10 percent, depending upon the willingness to assume risk.

[Question] What is the problem of the borrower as to the system for financing housing?

[Answer] His salary has already gone up and right now monetary correction is adjusting more slowly than salary correction. But by the end of 1981 salary correction will be almost equivalent to monetary correction. What he gained along the way, however, is his to keep; he really gained.

[Question] But this will not be the case with everyone. For instance, the wage-earner who had only a partial correction, only 50 percent of the INPC.

[Answer] The index that will establish this is the labor market. The employer, if he wishes, can give this man as much as 200 percent. No maximum was set; a minimum was imposed.

[Question] The president of the BNH [National Housing Bank] is saying that the installments will not increase more than 60 or 70 percent.

[Answer] Monetary correction will approach wage correction over a period of time; it may take 6 to 7 months. Meanwhile, it will continue to bring an advantage. In 1980, it brought an advantage during the entire year. Rent increased 40 percent and wages 100 percent. So that left a gap which is to the advantage of wages. From now on there will be no such advantage, but he does not lose the advantage he already had. That is, the rent/wage ratio will always be much less than it was in 1979.

[Question] Then it's a different question: during the time there was an advantage, wages increased more than mortgage payments; the average borrower was paying 20 percent less than the BNH budget called for, according to reports from its president. To the extent that wages approach the INPC, the shortfall will certainly increase.

[Answer] Not necessarily. During the period when the rent/wage ratio was decreasing, the gap increased, but one thing has nothing to do with the other. It is related to a number of other things and you will have to ask the BNH; they have all the figures.

[Question] They are promising incentives.

[Answer] They cannot promise anything. It is the government that promises and the government that fulfills the promise. The BNH does set housing policy. It is giving an advantage to the person who is paying rent or is buying his own home; no disadvantage was given. It was a process of income redistribution.

[Question] Speaking of figures, do you believe the PIB [Gross Domestic Product] will increase 5 percent this year?

[Answer] It is a reasonable figure.

[Question] Even with the balance-of-payments restriction?

[Answer] We should have a growth in agriculture of 6.5 to 7 percent in real terms. If we have a crop in the Northeast that pays for itself, this will help a little. Hence, we may estimate a growth of agriculture in physical terms of about 7 to 8 percent. Transportation costs will inevitably increase.

In industry, to the extent we succeed in transferring the possible weakness in domestic demand to exports we will have no important changes and industry may grow 5 to 6 percent. So I honestly believe we can hope for an increase of about 5 percent.

[Question] There won't be a "stop" for some sectors and a "go" for others?

[Answer] There will be a change, without doubt. Everyone wants prices decontrolled; everyone wants the market to determine this, to confirm his own desires. Everyone wants the government to reduce its activity. If consumers decide to change their attitude, it will be necessary to adjust to the consumers. Let's be honest, Volkswagen never asked anything special for itself. It never came here to ask for a measure of economic policy that would benefit it directly. They now realize they had a market problem that they would have to solve. And, so far as I know, it has been solved... When problems arise, they must be solved.

[Question] Do you believe this society, oriented for so many years toward a certain level of consumption, a certain way of life, can change in the short run? Or will it be forced to do so?

[Answer] We are talking about infinitesimal amounts. Suppose there were a drop of \$3 billion in domestic demand for some durable consumer goods or machines. Look at what \$2 billion to \$3 billion represents for a consumption that is now about \$180 billion; we're talking about cutting 2 from 180 and transferring the 2 to exports. During the year it will grow 5 percent, which means \$8 billion; that would be \$6 billion more for consumption and \$2 billion for exports. We are dealing with numbers that are much too small to cause any significant change. Clearly, in the subsector that is affected, a certain process of adaptation will be necessary. But in the aggregate it concerns numbers too small to change people's attitudes.

[Question] What do you estimate the domestic savings rate to be?

[Answer] I cannot estimate it; it is low, around 17 percent, maybe a little less--a ridiculous amount.

[Question] How is administration of the exchange crisis in Brazil situated? It is the big problem we face; in order to close the balance-of-payments account, the government had to use the artifice of selling bonds.

[Answer] It isn't an artifice; it's something we do every year.

[Question] Well, at least it's being sold as if it were.

[Answer] If I have a portfolio of securities and the opportunity comes along to liquidate part of this portfolio, why not do so?

[Question] But in previous years it wasn't done to the extent of \$1 billion.

[Answer] It depends upon how much one wants to sell, because all of it is sold at a discount; we sell what is necessary.

[Question] What is the situation in regard to administration of foreign accounts?

[Answer] It will continue rigorously the same as in 1980. We said it was not closing; it closed perfectly. Money is coming in every day, through Resolution 63, through Law No. 4131; a syndicate floats an issue here and there and everything proceeds normally. Nothing dramatic happened nor, in my opinion, will it happen. Now they can begin saying that 1982 will be difficult.

[Question] What about prices? Will they be decontrolled this year?

[Answer] That would be an exaggeration; we are decontrolling some sectors where I think we have sufficiently competitive conditions and we have some control of total demand. So there's no reason for control. Price control was necessary, first, when it was desired to make a redistribution of income; second, when demand was completely out of control. Today, aggregate demand is reasonably under control. So that the most competitive sectors can be decontrolled. In such sectors, we know what the process of adjustment is; prices rise quite a bit and then they become adapted, tending to stabilize or, rather, to rise less. Price control ends up being a kind of umbrella. We must realize that there are various cost pressures underway that do not result from this decontrol. Nor can the fact be ignored that local taxes have risen sharply everywhere.

[Question] A lot was being said at the end of last year about the International Monetary Fund. Although you denied having any negotiations, you left the matter open: if we need to, we'll go there; there is no problem in doing so. What are your thoughts now?

[Answer] Why was the Fund created? To solve balance-of-payments problems of a particular nature, a deficit that could be solved by a recession; a more restrictive monetary policy was to be applied, an intelligent fiscal policy; recession forced an increase in exports, reduced imports and the deficit was reduced. All this aided by an increase of prices for exports through exchange devaluation.

But what about the Brazilian case? The current-account deficit depends essentially on two factors, petroleum prices and interest rates. Both of them completely beyond our control. And also fairly independent of the policy we apply domestically.

Solving Brazil's balance-of-payments problem today by the classical method would require a massive recession, something gigantic. Hence, it was not proposed, nor did they ever suggest this. It is not the appropriate method.

How could we get funds from the IMF to help solve our problem? Our problem is adjusting the Brazilian economy to the petroleum crisis; that is, they would have to give us funds that would be invested for producing domestic energy and that in a period of 3, 4 or 5 years would greatly reduce imports.

This means a substantial amount of funds, with a grace period no less than 4 years and repayment period of 10 years. This is just the opposite of what the Fund proposes, which is small loans for a 3-year period.

[Question] You are saying that the IMF does not solve our problem. Our creditors claim that it does.

[Answer] That is completely different. Some creditors, frankly, are worried and would like us to go to the Fund. The bulk of them are not worried about this; they want to know whether the economy is adjusting. From the domestic point of view, what happened in 1980 demonstrated a process of readjustment much more important than most Brazilians are aware of. What I am saying is: we reduced petroleum consumption by 10 percent. Of course, there are those who say it was only 1.5 percent, forgetting the economic growth. This is a substantial amount and Brazil is adjusting. PROALCOOL is doing very well; the coal program, in my opinion, will expand greatly in 1981; we are doing research; we are increasing petroleum production significantly. We are beginning the year with 231,000 barrels a day and we should end the year with 280,000.

These people know that we are adjusting and hence that our going to the Fund would only cause disturbance in the debt profile without it representing anything significant.

[Question] Then why does this substantial group of bankers continue to insist upon our going to the Fund?

[Answer] Who is insisting?

[Question] Was there any special negotiation?

[Answer] There wasn't anything. That's simply an irresponsible rumor.

[Question] What about the spread?

[Answer] It increased, as it increased for everyone.

[Question] But doesn't it have anything to do with increased risk?

[Answer] The spread doesn't represent risk. The spread really measures the disequilibrium between the amount of funds we need and what the market is normally willing to lend us. Spread does not measure risk.

[Question] The government is very confident about exports. And the risk of protectionism is returning. First, in the United States, where it seems clear that a very nationalistic economic policy will be followed. And in Argentina, which has imposed a 20 percent tariff.

[Answer] In my opinion, it was always so. It is just that in the last 10 years we have had such constant pressure. The fact of the matter is that Japan, which never worried about this, increased its exports \$50 billion; France increased its by \$30 billion and Germany's increased by \$40 billion, and it is clear that this risk always exists. But if we do not run this risk we will never know whether it exists.

[Question] Then we are going to pay the price of finding out?

[Answer] We must continue working to export; the others will take their defensive measures and we will take measures to support ours. That is how the world works. It is an old ECLA [Economic Commission for Latin America] theory: there is no point in increasing exports, because demand is inelastic. But we will only be able to know whether it is if we go and find out. And suddenly we go and find that it is not inelastic; and that is what happened.

Brazil is such a small factor in the international market that it has the advantage of not being important. Clearly, when Japan is involved, it disturbs everyone; when Germany is involved, it disturbs everyone. When Brazil is involved, people look around to see whether it will tickle anywhere. Brazil doesn't worry anyone. We are talking about \$2 billion in a total of about \$1.6 trillion.

[Question] Agriculture is really becoming very strategic. But at the same time the government does not seem to be taking measures to expand agriculture, to the degree that financing for investment has practically dried up.

[Answer] It isn't true that it has dried up. Suffice it to mention that as many tractors are being produced as last year and even a few more. What is being done with investment is to raise the interest rate; that is, in a way it is forcing utilization of used equipment and causing persons to think a little longer about the need to increase the stock of machinery in the short run. They have to invest a little of their own money. It is not possible to finance agriculture completely. To finance agriculture the money must be taken away from someone else. Farmers had a fairly good year and must reinvest part of their profit in this; it is a small thing that we are asking.

[Question] Do you think we shall have storage problems?

[Answer] No; COBRAZEM [Brazilian Warehousing Company] has done a very good job; it is prepared, we are expanding, we have inflatable warehouses. So we are prepared. Should the crop, as we are expecting, be 10 percent greater than last year, we will not have major problems.

[Question] The government, as a whole, continues to slip out of the reins which it itself imposed. Looking at the figures about the state enterprises, it appears that last year they spent more than 10 percent over the initial forecast.

[Answer] In 1980 the thing did not really function, but from now on it will function rigorously. The problem was that we were not controlling liabilities. As we did not have control of liabilities, one of the escape mechanisms was to increase short-term liabilities. What has the president done now? He established paying for the past as a government priority. And, more than paying for the past, for each time it pays for the past you reduce its 1981 appropriation by what it paid. Thus, when you add 1980 and 1981, everything comes back into line. There was an increase in short-term debt, it is true. Liabilities for 1981 must be the same as 1980, plus monetary correction.

[Question] Could you list, in order of priority, the objectives of economic policy?

[Answer] They are the same as always. There are three problems: we have the balance-of-payments problem and we are doing what is possible--and impossible--to reduce the current-account deficit in such a way that, first, you show your creditors you are going in the right direction; second, the debt/export ratio continues to fall. If we keep going in this direction for 3 or 4 years, it means that by that time we will be in a relatively tidy situation.

[Question] Even with petroleum prices and interest rates beyond our control?

[Answer] That is the third problem, which is petroleum substitution. In summary, the first problem is the balance of payments; second, inflation, the rate of which must be reduced in one way or another. I think we are headed in the right direction. We are practically balanced in the public sector; there is no inflationary pressure from there. We have the money supply fairly under control; we are expecting a moderate increase in crops, which means we should show a gain in terms of inflation. How much, nobody knows, but we should have one. I hope it is starting to become visible. It is true that we have very high cost pressures right now. The government has no intention of starting a recession, but of reducing excess demand and diverting it to the export sector.

And the third problem is to adapt the economy to supply. We are already doing that; we are investing enormous sums in the hydroelectric sector, we are investing a great deal in coal, we are investing a certain amount in saving fuel, we are investing a substantial amount in PETROBRAS to see whether we can get more domestic production. I think we shall again have fair success this year in reducing petroleum imports. As you see, we began the year with 960,000 barrels a day and ended with about 850,000 barrels. I think we can be importing 750,000 barrels a day by the end of 1981.

In this field, too, I think few people are aware that 1980 was a decisive year; we really reversed the trend of petroleum consumption and that is what we are going to continue doing.

[Question] How do you view the world economy in 1981? There has been a change of administration in the United States...

[Answer] There will be nothing dramatic; there will be no recession greater than what is now making the rounds. More countries are joining the family of debtors.

[Question] Aren't price decontrol and the energy programs inflationary?

[Answer] We have some problems. But we don't need this much inflation to accomplish that. All the processes of substitution we are engaged in today are highly inflationary. But pressures have been greater than they are today. We have some chance of reducing the rate of inflation. Of course, people ask for this inflation to be reduced, but at the same time they ask us not to reduce the level of activity. And you have to agree with me, that is not a fair proposal.

[Question] Businessmen this year are working with an inflation rate of 100 percent. Do you think that is reasonable?

[Answer] That's their problem. Each one runs his own risks; that is a great advantage of democracy.

[Question] That means reducing inflation, but not at all costs?

[Answer] If we wanted to reduce inflation at all costs we would already have done so.

[Question] What priority does inflation have?

[Answer] Inflation has top priority. It is destabilizing, it is a nuisance and it is a problem for the government. Inflation has a high priority--only employment has a higher priority. Note that the government was the first to say this; in May of last year the government said it was not concerned only about the nominal wage but it also had to consider employment.

The most ridiculous thing in the world is to blame this on the government, because this is what it has been saying since the beginning. Whether we like it or not, even if some of my fellow economists do not accept it, there is, unfortunately, a relationship between real wages and employment; it does no good to cry about it. We know it exists and there is no point in our hiding this fact.

BB34

CSO: 3001

POLL SHOWS UNEMPLOYMENT, STRIKES FORESEEN FOR 1981

Popular View Gloomy

Rio de Janeiro O GLOBO in Portuguese 31 Dec 80 p 17

[Text] Sao Paulo--The majority of Brazilian citizens expect unemployment to increase in 1981, according to a Gallup Institute study. "Thinking of what will happen in 1981, do you believe that the number of unemployed persons in Brazil will increase, decrease or remain the same?" In answer to this question, 68 percent of those interviewed expected an increase, 13 percent said unemployment will drop and 14 percent said the picture will remain the same.

In 10 American countries fearful of unemployment, Mexico had the highest expectation of an increase (71 percent), exceeding the figure for Brazil by only a little. Uruguay does not expect much unemployment: 16 percent of those surveyed said there will be more jobs.

The European Common Market countries fear unemployment, according to the study figures, with a total index of 69 percent. Of these countries, Holland was the most pessimistic: 84 percent of those interviewed said that unemployment will increase. Denmark (82 percent) and England (77 percent) showed a similar trend.

More Strikes

"In 1981, will strikes and disagreements between employers and employees increase, decrease or remain the same?" To this question, 36 percent of the Brazilians interviewed answered that strikes will increase in the coming year. This was the highest index obtained among 8 American countries, followed by Canada, with 34 percent, and Peru, with 46 percent. Among the Chileans interviewed, the largest number--29 percent--foresaw a decrease in strikes.

The European Common Market countries also expect more strikes. A survey in 10 of them yielded a total index of 43 percent expecting increased strikes, with 14 percent expecting a decline and 36 percent indicating that the picture will not change.

In the economic sector, Brazil led the list of American countries expecting difficulties in 1981, in answers to the following question: "Will 1981 be a year of economic prosperity, one of difficulties or will things remain the same?"

Among the Brazilians questioned, 70 percent foresaw difficulties, 13 percent prosperity, and 12 percent an unchanged picture. Brazil was followed by Canada, with 58 percent foreseeing difficulties. In the United States, 42 percent of those interviewed expected an unchanged picture. The highest level of optimism was in Mexico, with 42 percent expecting economic prosperity in 1981.

Holland, with 79 percent, had the highest level of those expecting greater difficulties among the European Common Market countries.

More Wars

According to the Gallup Institute study, the majority of Brazilians expect a year disturbed by numerous international conflicts. Once again, it was one of the countries with the highest level for this expectation: 55 percent said that it will be a year of wars. In 10 American countries surveyed, this expectation consistently exceeded expectations of a year of peace and few conflicts.

The picture was similar in the European Common Market countries, with a total of 49 percent of the individuals interviewed expecting a year marked by numerous international conflicts. The highest such index was in Luxembourg, with 60 percent expressing this view.

Current Unemployment in Sao Paulo

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 30 Dec 80 p 25

[Text] Rio de Janeiro --The IBGE [Brazilian Institute of Geography and Statistics] announced the unemployment rates for the month of November last in four major Brazilian cities yesterday. They were as follows: 6.51 percent for Rio de Janeiro, 5.15 percent for Sao Paulo, 7.51 percent for Belo Horizonte, and 3.97 percent for Porto Alegre.

According to the IBGE, the unemployment rates dropped in those cities in comparison to the preceding month (October), when the figures were as follows: 6.86 percent for Rio, 5.24 percent for Sao Paulo, 7.89 percent for Belo Horizonte, and 4.42 percent for Porto Alegre.

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CSO: 3001

EMPLOYMENT DECLINES IN RIO, SAO PAULO IN NOVEMBER

Sao Paulo FOLHA DE SAO PAULO in Portuguese 23 Jan 81 p 28

[Text] Brasilia--The nation's two largest labor markets had a reduction in total employment in November, taking the previous month as a base. Sao Paulo had 0.09 percent less vacancies and Rio had 0.12 percent less. Labor turnover during the same period fell from 2.7 to 2.6 percent in Sao Paulo and was unchanged at 3.1 percent in Rio de Janeiro.

The announcement was made yesterday by the Labor Ministry, based upon a survey by the National Employment System (SINE) of 7,086 business firms located in the nation's 10 largest metropolitan regions employing a total of 3,785,000 workers.

The largest increase in overall employment was in Belem, with a rise of 1.27 percent, followed by Fortaleza with 0.90 percent; Curitiba, with 0.65 percent; Salvador, 0.53 percent; Brasilia, 0.43 percent; Recife, 0.42 percent; Belo Horizonte, 0.15 percent; and Porto Alegre, 0.04 percent.

Less in 5 Regions

For the first time this year, industry reported a reduction in employment in 5 of the 10 metropolitan regions surveyed. In Sao Paulo the retraction was 0.45 percent, less than in Rio de Janeiro, where it fell 0.78 percent. In Porto Alegre the sector offered 0.40 less employment; in Curitiba, 0.10 percent less; and 0.22 percent less in Belo Horizonte.

Industrial employment increased only in metropolitan regions whose industry has an insignificant share of the nation's employment. In Brasilia the sector offered 0.25 more employment; in Recife, 0.19 percent more; in Salvador, 0.09 percent more; in Belem, 0.07 percent more; and in Fortaleza, 0.02 percent more.

The service sector also had a significant reversal. Its employment was less in 4 of the nation's 10 leading metropolitan regions. Porto Alegre, Curitiba, Rio de Janeiro and Belo Horizonte were the cities where employment dropped. Brasilia was the growth leader, with 0.20 percent, followed by Sao Paulo with 0.18 percent; Belem, with 0.15 percent; Salvador, 0.20 percent; Fortaleza, 0.14 percent; and Recife, 0.06 percent.

Only commerce provided more employment in all 10 major metropolitan regions in November. Curitiba led the sector's growth, with 6.04 percent, followed by Belem,

with 4.071 percent; Belo Horizonte, with 4.37 percent; Fortaleza, 4.028 percent; Recife, 3.40 percent; Porto Alegre, 3.29 percent; Sao Paulo, 3.01 percent; Rio de Janeiro, 2.39 percent; Salvador, 2.31 percent; and Brasilia, 1.40 percent.

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CSO: 3001

ARMY MINISTRY 1981 BUDGET FIGURES PUBLISHED

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 15 Jan 81 p 4

[Text] Brasilia--The interim minister of the army, Gen Ernani Ayrosa, issued a directive establishing the guidelines for implementing the budget and the program of expenditures of the Army Ministry this year. According to the table below, total expenditures will amount to 17,766,476,000 cruzeiros. Of that sum, 15,101,505,000 cruzeiros pertain to scheduled expenditures and 2,664,971,000 cruzeiros to expenditures to be scheduled.

The department that will incur the largest expenditures is the General Department of Services, with a total of 9,693,561,000 cruzeiros, followed by the Directorate-General of Economy and Finance, with 2,697,009,000 cruzeiros. The department with the lowest expenditures is the Army Real Estate Financing Fund (CFIEx), created at the end of last year, with a total of 3,252,000 cruzeiros.

The Army General Staff and the Directorate-General of Economy and Finance will establish the disbursement schedule of the Army Ministry, based on the budgets proposed by the departments and supervised agencies (Ordnance Industry (IMBEL) and CFIEx), for the expenditures charged to the general fund of the treasury.

The schedule of costs pertaining to expenditures abroad will specify the amounts in cruzeiros and in dollars, the former being calculated on the basis of the average conversion divisor set for the fiscal year by the Planning Secretariat of the Presidency of the Republic and by the Finance Ministry.

The table of the financing program for fiscal 1981 follows:

Financing Program For Fiscal Year 1981
"Other Current Expenditures" and "Capital"

<u>Department</u>	<u>Total</u>	<u>Scheduled Expenditures</u>	<u>To be Scheduled</u>
Office of the Army Minister	85,711,000	81,425,450	4,285,550
Army General Staff	185,759,000	157,895,150	27,863,850
Army Secretariat General	125,572,000	119,189,150	6,382,850
Engineering and Communications Department	1,707,764,000	1,184,360,670	523,403,330
Training and Research Department	203,587,000	183,436,800	20,150,200

(table continued)

<u>Department</u>	<u>Total</u>	<u>Scheduled Expenditures</u>	<u>To be Scheduled</u>
General Department of Personnel	504,114,000	478,906,800	25,207,200
General Department of Services	9,693,561,000	8,233,144,000	1,460,417,000
Ordnance Department	2,425,322,000	1,891,751,160	533,570,840
Directorate-General of Economy & Finance	2,697,009,000	2,643,068,820	53,940,180
Federal Territory of Fernando de Noronha	69,825,000	69,825,000	--
Ordnance Industry (IMBEL)	65,000,000	55,250,000	9,750,000
Army Real Estate Financing Fund (CFIEx)	3,252,000	3,252,000	--
 Total	 17,766,476,000	 15,101,505,000	 2,664,971,000

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CSO: 3001

SCIENCE, TECHNOLOGY BUDGET FOR 1981, 1980 ACTIVITIES

1981 Appropriations

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 11 Jan 81 p 50

[Article by Jose Goldenberg]

[Text] The 1981 federal budget envisages expenditures of 1,885.5 million cruzeiros, about \$30 billion in January 1981 currency. Of the almost 2 trillion cruzeiros, 43,549,634,000 cruzeiros (about 43 billion cruzeiros or \$500 million) are allocated as funds for science and technology, according to the Planning Secretariat (SEPLAN) methodology, which includes innumerable activities that can hardly be described as such. In any case, however, in SEPLAN's generous classification, 2.31 percent of the budget is devoted to science and technology, an appropriation that has remained at this level since 1979 (2.20 percent in 1979 and 2.11 percent in 1980).

Science and Technology in the Federal Budget
(in thousands of cruzeiros)

General Administration	3,969,496
Partnership participation (In NUCLEBRAS)	3,700,000
Scientific Research	2,246,515
Technological Research	14,649,070
Experimental Development	680,549
Scientific and Technological Information	625,339
Tests and Quality Analyses	340,908
Survey of the Environment	1,255,268
Post-Graduate Education	8,630,959
Training of Human Resources	427,000
Study Scholarships	1,340,000
Geologic Surveys	1,400,000
Hydrologic Studies and Research	875,000
Metrology	2,321,430
Pollution Control	80,800
Other	7,300
Total	43,549,634

From the viewpoint of cold figures, the country seems to be carrying out a reasonable effort in science and technology inasmuch as 2.31 percent is quite a high indicator. In reality, however, many of the items included in the table represent expenditures

for the maintenance of public departments which do not play an active role in science and technology in this country. To give only one example, post graduate education represents the maintenance of innumerable federal universities. Metrology, tests and quality analyses, various surveys, partnership participation by the federal government in the Brazilian Nuclear Corporation (NUCLEBRAS) and various other items represent routine activities. The item "technological research" (14 billion cruzeiros) represents the activities of the Brazilian Agricultural and Livestock Research Enterprise (EMBRAPA) and the Secretariat of Industrial Technology, which pertain to bona fide science and technology activities. But it includes certain activities of the Ministry of Mines and Energy and others difficult to assess properly.

Roughly, what can be said is that probably half of the 43 billion cruzeiros in the table are properly allocated from the point of view of support for science and technology, which represents about 1 percent of the federal budget.

It happens, however, that the federal budget in Brazil is fictitious because it does not include the funds that go to the state enterprises, which absorb about 6 trillion cruzeiros per year, that is, three times the federal budget. The Brazilian Petroleum Corporation (PETROBRAS), the Brazilian Electric Power Corporation (ELETROBRAS), the Rio Doce Valley Company, NUCLEBRAS and 600 other state companies fall into that category, using a variety of extrabudgetary funds, foreign loans and their own funds, a large part of which escape the control of the federal government itself.

Part of those funds are applied to science and technology because various state companies have their own laboratories, such as PETROBRAS, ELETROBRAS, the Brazilian Telecommunications Corporation (TELEBRAS) and others. It would be interesting to try to make a detailed survey of these investments which the SEST [expansion unknown] of SEPLAN is probably in a position to do.

It is unlikely, however, that the total invested by the state enterprises in research exceeds 20 [as published] billion cruzeiros. Adding those 10 billion to the 21.5 billion extrapolated from the federal budget, we get 31 billion envisioned for science and technology in 1981.

Theoretically, control of those expenditures is exercised by the National Research Council (CNPq) which, however, has direct control over only 6 billion cruzeiros. The rest of the expenditures are made in a decentralized way in innumerable ministries and other public departments.

Perhaps it might be appropriate to make a detailed survey of what Brazil is doing in science and technology--which does not seem to be too little--and centralize the application of those funds a bit under the aegis of the CNPq. There seems to be little doubt that greater efficiency and conservation in the use of those funds could be achieved without greater bureaucracy, which would be completely undesirable.

Technology Fights Inflation

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 4 Jan 81 p 34

[Text] Brasilia--Technological development is directly related to the major Brazilian problems of inflation, imbalance in the balance of payments and the energy crisis. The investment in science and technology are related to inflation--a less obvious relationship--since by directly influencing the increase of productivity, it becomes

an effective instrument for reducing the inflationary process. On the basis of this concept, developed by the secretary general of the Planning Secretariat (SEPLAN), Jose Flavio Pecora, the government has reached the conclusion that even in a context of financial restrictions, it will proceed investing in the national development of scientific know-how, especially in strategic areas.

The importance of scientific and technological development, applied in 1980, and its continuation in 1981, as pledged by SEPLAN, was recalled yesterday in Brasilia by Professor Linaldo Cavalcanti de Albuquerque, chairman of the National Scientific and Technological Development Council (CNPq), in reviewing the performance of that agency and the program for this year. The CNPq begins the year with a budget of 6.2 billion cruzeiros, over 100 percent more than it has at the beginning of 1980, which was 3 billion cruzeiros.

The Third Basic Scientific and Technological Development Plan (Third PBDCT), prepared by the CNPq in 1980 and already approved by Minister Delfim Netto and the president of the republic, will go into full operation this year. The plan envisages increased budget appropriations for the agencies that will implement science and technology policy. Although it presents general guidelines, similar to the National Development Plan (PND), its central philosophy is the development of scientific know-how and technological autonomy.

The priorities defined in the plan are not different from those of the PND: energy, agriculture, education, health, social welfare, housing and sanitation. However, projects will also be promoted in the areas of industry, mining, transportation, communications, regional development, urban development, the environment and natural resources, meteorology and climatology, ocean resources and special activities, because of their close relationship with the government's priority sectors.

In the area of energy, the scientific and technological development, which will have the support and resources of the government, will be directed toward the problem of oil and natural gas, hydroelectricity, nuclear energy, coal and shale, ethanol, solar energy, wind power, hydrogen, and biomass. The projects in areas of energy planning and energy conservation will also be fostered. In the agricultural-livestock area, government support will be directed at projects for vegetable production, animal production, forestry, fishing, food technology, fertilizers, seeds, genetic resources, natural resources and the environment.

To make possible the full implementation of the Third PBDCT and to exercise the functions assigned to it by current legislation, the CNPq devoted special attention to its structure in 1980, making it more suitable and flexible to act in conjunction with all the areas of the federal government, the state government, the private sector and institutes and educational institutions that are working on scientific and technological research.

The chairman of the CNPq observed that this year the whole Brazilian science and technology system will have funds of 43 billion cruzeiros, which represents a significant increase in terms of percentage of the federal budget. In 1980, the system's share was 2.1 percent, and in 1981, it will be 2.7 percent. The council has reopened its branch in Sao Paulo, the Southern Regional Branch, and established a regional branch for the Northeast in Recife. It transferred the Brazilian Institute for Scientific and Technological Information (IBICT) to Brasilia: its mission being to

organize the information purchased from other countries, disseminate that information, avoid duplication, and to act in conjunction with the Ministry of Education and Culture in organizing and implementing the Bibliographic Exchange System, which will permit the national use of any library asset existing in the country.

Also created within its internal organization were committees on energy, agriculture and social area affairs, connected to the Science and Technology Council, the supreme organ of the Science and Technology System, which involves all ministries, research institutes and organizations that operate in that area; and it is also planned to create committees for the data processing, mining and transportation areas. According to the president of the CNPq, the directorates as well as the superintendencies of that agency have been reorganized, with very specific executive functions.

The action of the National Scientific and Technological Development Council vis-a-vis the universities and the state systems was another aspect emphasized by Professor Linaldo Cavalcanti in his analysis of the activities implemented in 1980. A program of support for research and post-graduate institutions, encouraging them to prepare and implement a scientific policy based on national priorities but at the same time directed toward their needs and available resources in their midst. The CNPq also wants to make the universities do the budgeting for research, and it has already begun implementing an industrial property and patent project, creating centers in the university for the registration of discoveries, and the sale and transfer of technology to the interested parties.

Strengthening the research institutes, the six that are connected with it directly as well as those belonging to the state systems of science and technology, has also become a priority for 1981. Last year the council initiated a plan with the states to establish new state science and technology systems and to strengthen the existing ones that, under the coordination of the CNPq, may advise the local governments, including in the purchase of technology, which today is carried out in a haphazard way.

The chairman of the CNPq said that in 1981 we plan to be more active, including in the state enterprises themselves, which at the present time are buying more than 60 percent of the technology being applied. All this work will be accompanied by a new publication program on scientific policy that may even lead the CNPq to publish books, increasing the circulation of information.

Science, Technology in Sao Paulo

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 21 Dec 80 p 51

[Article by Jose Goldemberg]

[Text] An interesting Symposium on Science and Technology for the State of Sao Paulo, organized by the Secretariat of Science and Technology, was held recently and received very little press coverage.

For 3 days the persons in charge of science and technology programs in the state agencies and university institutions met in University City to discuss the "state of the art" in their different fields of activity, what were the current problems, the future possibilities and what is necessary to make that future possible.

The areas included in the symposium were limited, but even so, they cover a considerable spectrum: energy, industrial technology, sciences, biomedical technology, agroindustrial technology, information and the dissemination of science and technology.

Secretary of Science and Technology Oswaldo Palma explained that henceforth this symposium will very probably be held every year, gradually expanding the areas covered.

What is important about this activity is that it was held: the government itself, this time, and not individual researchers or professional societies, convened those in charge of programs to reflect on them and on the courses to be followed.

In the technological area, this is probably the concrete manifestation of the "political opening" we are living through. At the symposium, representatives of agencies or government enterprises, such as, the Sao Paulo Petroleum Company (PAULIPETRO), COMGAS, the Technological Research Institute (IPT), the Energy and Nuclear Research Institute (IPEN), etc. explained their programs and their problems, thus, opening up a useful discussion for the state scientists and technologists; more useful especially for them, accustomed to defining programs within four walls.

On the other hand, the scientists and technologists of the universities also expressed their ideas and, in many cases, justified complaints. It is still too early to evaluate the results of the symposium but there are some aspects that stand out from a superficial observation of the proceedings.

Perhaps the most fundamental one is that the major guidelines of state action in the area of science and technology have been established in an uncoordinated manner in various secretariats and state enterprises. The multiplicity of actions and programs, which is so obvious in the federal government, occurs also in the state. This multiplicity may not be bad in some cases but in practice it has also been responsible for the inability to set rational priorities that last longer than the ephemeral 4-year life of state governments.

Thus, the recommendation that originated in the symposium to restructure the Science and Technology Fund (FUNCET), created several years ago but which never really got the perform the function that was expected of it. The recommendation was that the fund have an advisory council in which the Sao Paulo Electric Company (CESP) and other companies that produce energy and technology, universities, the Federation of Industries and the state secretariats concerned be represented.

In addition to that, of course, that fund should receive substantial funds that would be passed on to the companies that currently have research and development programs, such as the CESP, or be contracted directly with the technicians or the universities.

The other pertinent observation perhaps is that it is not sufficient to suggest plans and general ideas as occurred at the symposium, to resolve the problems of energy and technology that we face. It is necessary to work on these plans and ideas in order to convert them into objectives; innovations cost money and require investments. What is the return that can be expected from those investments? In what period of time?

Considering the problems we face, developing new solutions cannot be treated superficially; it requires real attempts to establish alternatives. Science can and should be pursued as an end in itself, but not technological development, which is at the direct service of the productive system and the well-being of society as a whole.

EMBRAER JET PRODUCTION PROGRAM DISCUSSED

AMX Tactical Jet

Rio de Janeiro JORNAL DO BRASIL in Portuguese 27 Dec 80 p 12

[Text] Sao Paulo--With the program called AMX, the Brazilian Aeronautics Company (EMBRAER) plans to spend an average of \$20 million a year until 1986, to develop the first Brazilian tactical jet fighter plane, in cooperation with the Italian Aermachi and Aeritalia companies. Brazilian technicians will begin to depart for Italy this month.

Basically, the AMX will be a single-seater jet 12.90 meters long capable of a speed of 1,100 kilometers per hour. It will have a capacity of up to 2 tons of bombs, rockets and missiles, and will be powered by a Rolls Royce "spey" turbine.

"The AMX is regarded as an apparatus of modern design, efficient and low-cost, but with advanced technology," the president and director of the EMBRAER, engineer Osires Silva, says, explaining that the philosophy for the development of the new aircraft was based "on the concept not of undertaking a technological venture, but rather using materials and electronic equipment which has already been sufficiently tested."

In terms of technological innovations, according to EMBRAER technicians who are now familiar with the preliminary bases for the project, the AMX, for the task for which it will be produced, can be very advantageously compared with the supersonic U.S. F-5 Tiger, currently being used by the FAB [Brazilian Air Force], which has high operational and purchase costs. It will even be able to replace the French Mirages, because of its performance as an extremely maneuverable pursuit plane.

The AMX will be a swept-wing subsonic speed pursuit plane, with a capacity of 1,100 kilometers per hour, but it will be able to achieve supersonic diving speeds. It will be efficient in performance and although the measurements are not yet finally established--currently the length is 12.90 meters and the width 8.86--it will be classified as a medium pursuit plane. The fully loaded takeoff weight will be 12 tons, of which more than 2 will be weaponry.

The Brazilian product will differ basically from the Italian plane in terms of flight range, which Brazil wants greater, due to strategic reasons. The EMBRAER technicians are confident that the AMX will have a longer flight range than its

competitors, with the capability of operating and reaching targets at great distances from the base.

The main use of the AMX will be as a tactical pursuit plane for ground attack, although it can perform other tasks, such as support of ground troops. The plane will carry air-to-air missiles on the wing tips, two 30-millimeter automatic cannons in the nose, and pylons for the wings for the other weapons (bombs, missiles and rockets).

According to the president and director of the EMBRAER, the enterprise will participate to the extent of 35 percent in the entire program, which will cover the research and development costs, and will have the same share in the income from sales. This project--the first multinational one for the Brazilian aeronautics industry--means that the EMBRAER will get 35 percent of every sale in Europe by the Italian industrial enterprises.

At current prices, the AMX will cost about \$10 million, a figure which, together with the sophisticated electronic equipment, will give this aircraft excellent marketing chances even in the developed countries. "This will meet a very great demand on the world market, and certainly will make the AMX the plane of the 1990s," EMBRAER technicians say.

Interest in Brasilia Turbojet

Rio de Janeiro JORNAL DO BRASIL in Portuguese 26 Dec 80 p 17

[Text] Sao Paulo--The EMBRAER announced yesterday that it has already received 111 purchase bids on the Brasilia EMB-120 30-passenger turbojet, which is being developed by the enterprise and is expected to be airworthy by 1982.

The EMBRAER is adding 6,650 square meters of hangar space to its industrial complex located in Sao Jose dos Campos, which actually has 140,000 square meters of enclosed premises, for the mass production of the new aircraft.

Purchase Bids

Announcing that the green light has been given for the production of the first prototypes of the Brasilia, the president and director of the enterprise, engineer Osires Silva, said that the aircraft, designed to fill the demand for turbojet aircraft in the 1980s and beyond, was conceived in terms of planning and manufacture "for maximum safety, low operational costs and excellent performance."

The acceptability of the new EMBRAER project on the international market is demonstrated by the fact that the Brazilian aircraft has a larger number of purchase bids than the other competitive projects, which are those of the Canadian Haviland factory (the DASH-8) and the Swedish-American SAAB-Fairchild.

The mockup (full-size model) of the Brasilia was displayed during a convention of North American regional airline operators in November, and it was the most highly

praised design. There are 48 purchase bids from the United States alone, more than from Brazil, with 23.

According to the president and director of EMBRAER, "the enterprise, in the development of the Brasilia, is using all its aeronautical engineering know-how, accumulated over our 11 years of existence, and its demonstrated methodological experience, as well as the technical contributions of turbojet aircraft, in particular the Bandeirante EMB-110, of which more than 300 are flying on 5 continents. It ranks third in turbojet sales throughout the world."

The Turbojet Project

The EMBRAER has already put more than 100,000 man-hours into the Brasilia EMB-120 program, and with a view to keeping to the development schedule for the aircraft, with the first prototype expected to make its inaugural flight in 1982, is making intensive use of a computerized system called Cad-Cam (Computer Aided Design-Computer Aided Manufacturing), which speeds up the technical drafting and design phases.

This system, a pioneer project for this country, contributes to the EMBRAER strategy designed to speed up the engineering projects and manufacturing stages as much as possible, in order to make it more competitive on the foreign market. The system cost \$1 million.

Notable among the main activities pursued in connection with the Brasilia project is the building of the master mockup of the aircraft and the engineering mockup, which will be used as models to establish the dimensions in the construction of the assembly line for the aircraft.

A scale model of the Brasilia is already being tested in the wind tunnel at the Aerospace Technology Center (CTA), in order to assess the future aerodynamic performance of the aircraft.

Future Plans

According to information from the enterprise, the future activities included in the schedule for the development of the Brasilia call for completion of the planning stage in 1981 and the beginning of construction of the base unit of the prototype. The construction of the first prototype and its first flight are scheduled for 1982.

The test flights prior to the approval of the prototype and the launching of manufacture of the first mass-produced planes are scheduled for 1983. The certification of the aircraft throughout the world will come in 1984, when the first planes will be delivered.

5157
CSO: 3001

FRANCE TO SIGN CONTRACT FOR 41 XINGU PLANES

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 16 Jan 81 p 4

[Text] Brasilia--The French Government will sign in Brasilia today the definitive contract for the purchase of 41 pressurized Xingu (EMB-121) planes, designed and built in Brazil by the Brazilian Aeronautics Company (EMBRAER), which will be used by the French Air Force for pilot training and for passenger transport.

This is the largest and most important sale of planes made thus far by the Brazilian aviation industry to a foreign country and it will serve to confirm the prominent position of that industry.

The first big transaction made by EMBRAER abroad was with several private U.S. companies, which purchased the Bandeirante (EMB-110) for the commercial transportation of passengers on short domestic flights. To do so, EMBRAER had to engage in lengthy negotiations with U.S. aviation authorities to obtain certification for the nationally built plane from the appropriate U.S. agency. However, it was not free from difficulties imposed by those authorities which, with the intent of preventing the sales, even classified the Bandeirante in the same category as the Boeing-747 requiring a number of items impossible to apply to a plane of that type.

In the case of the French Government, the difficulties encountered in the sale of the Xingu to the air force were not any less. The initial negotiations took place during the administration of former Minister Araripe Macedo, more than 3 years ago. At that time, the French Air Force was studying a plan to replace the old planes it used for pilot training and passenger transport for a more modern and less expensive plane, both in terms of fuel consumption and maintenance. A call for international bids was made with that objective in mind. Several companies qualified, including EMBRAER, which sent a Xingu to France that was tested there by several pilots. In addition to EMBRAER, Cessna, through its French subsidiary, and Beech Craft of the United States remained in contention for the sale. After all operational and technical conditions of the planes offered were evaluated, the French reached the conclusion that the Brazilian Xingu was the ideal plane. But then began the pressures against that sale. There were many attacks in the French and U.S. press against the EMBRAER plane, particularly by Cessna.

The Xingu is the first pressurized plane--quite sophisticated technology--produced by Brazil. From it will come the Brasilia, a 30-passenger plane that EMBRAER plans to put on the market in 1983.

Unlike the times when France was the seller of aeronautical products to Brazil, the signing of the purchase contract for the Xingu will be done in a simple ceremony at the embassy without the presence of the press. The contract will be signed there in name of the French Ministry of Defense by Ambassador Jean Beliard and in the name of EMBRAER by the director-president of the company, Engineer Osiris Sil. Minister Delio Jardim de Mattos will also be present but the press will not have access. The embassy informed reporters of that fact yesterday, explaining that it will be a simple ceremony in the ambassador's office and that it will be attended by only a few embassy officials and Brazilian Air Force officers.

8711

CSO: 3001

PRC TO INCREASE OIL EXPORTS TO 8.76 MILLION BARRELS

Rio de Janeiro O GLOBO in Portuguese 18 Jan 81 p 26

[Article by correspondent Any Bourrier]

[Text] Paris--Next year, China is going to sell Brazil 8.76 million barrels (1.2 million tons) of oil. The purchase of Chinese oil will increase substantially over the 5.47 million barrels (750,000 tons) acquired by the Brazilian Petroleum Corporation (PETROBRAS) from the Xeng Li and Ta Ching deposits on the mainland in 1979, 1 year after the resumption of diplomatic relations between the two countries.

The interest of the Brazilian Government in Chinese crude oil does not end there. PETROBRAS is participating in seismic studies of the Bohai Sea, where China's most promising offshore deposits are located, together with other national and foreign countries: PETROBRAS International Corporation (BRASPETRO), Elf Aquitaine and the Italian National Hydrocarbons Agency (ENI). The Brazilian state enterprise also wants to engage in onshore prospecting which will enable it to increase its level of involvement in oil business in the Far East, where its experts go twice a year to negotiate oil purchases.

The explanation as to why Brazil is the only country for which the Chinese agreed to increase the oil quota is purely political: Deng Xiaoping does not underrate Brazil's status as an emerging power in the chessboard of international economic relations. In addition, in this phase of pragmatism and openness to foreign capital, Chinese foreign policy gives preference to association with countries having characteristics identical or similar to its own: vast territory, industrial development as a priority target and the capacity for leadership in the bloc of Third World countries.

In fact, selling more oil to Brazil is an exception in the current Chinese energy program inasmuch as the tendency is precisely to reduce the exploitation of both the onshore and offshore reserves in order to give priority to other energy sources, such as coal and hydroelectric power. Although China has absolutely fabulous reserves, especially in the Bohai Sea continental shelf situated between the Yellow Sea and Korea, it lacks capital to develop the extraction of the raw material. Several international companies have offered to help Deng Xiaoping increase the number of barrels produced daily but they have encountered political resistance because, as one of the closest aides to Planning Minister Gu Mu--dismissed a few days ago--explained:

- * "We Chinese do not want to become indebted because we know that that costs a nation its independence. The increase of oil production will depend on our own capacity to exploit the deposits discovered and to discover others."

It is in the hydroelectric field that Brazil is going to try to breach the very tight Chinese market. Despite the fact that our trade relations are recent--the first bilateral agreement was signed in January 1978 and ratified in 1979--it is possible that TEMAG may participate in the "Three Throats" project, the huge hydroelectric plant that is being built on the Yangtze River, which will have a capacity three times greater than Itaipu. The first section of the project, which includes the Gehzu dam, measures 2.5 kilometers and has a reserve capable of receiving 110,000 cubic meters of water a second. Two hydroelectric plants are being built in the middle of the river, with 21 groups and alternators which will have a power of 2.7 million kilowatts. The construction of "Three Throats" has already mobilized 3 million people and, thus far, 4 million hectares have been irrigated, 2 million drained, 5.33 million graded and 1.23 million hectares of hillsides transformed into arable fields.

TEMAG offered the Chinese Government dam and hydroelectric plant technology, especially in the area of medium-sized dams.

Brazilian Participation

The participation of national enterprise has not yet been clearly defined, however, because the Chinese are working slowly, alarmed over the volume of investments. Although during the past 2 years, the group that now governs China emphasized the implementation of large steel, hydroelectric and public works projects, its economic policy has become more prudent after it was ascertained that China does not have the capital available to acquire Western technology, which is too expensive. With the serious agricultural crisis that is approaching because of the shortfall in the grain harvest this year, it is possible that the economic authorities may further reduce the pace of construction of "Three Throats."

The difficulty that Brazilian businessmen encounter in obtaining attractive contracts in China stems also from international competition. For example, officials of the Chinese Foreign Trade Ministry assert that the Brazilian Aeronautics Company (EMBRAER) could sell Bandeirantes to the Chinese Armed Forces. The air force reportedly "loves" the Bandeirante and the Ipanema because those planes are ideal for the specific conditions of the country: long distance and landing fields that lend themselves to small planes.

However, the economic agreements signed with the United States are prejudicial to Brazilian companies because, along with equipment, the U.S. Government offers substantial credits, something that Brazil can rarely do, except in the case of a syndicate loan.

Strengthened by its presence in the Middle East, does the Specialized Engineers Corporation (ENGESA) have any chance of selling something to the Chinese? A mission from that company was in Beijing this year but reliable sources say that no sale was made. Reports came out of Brazil to that effect but they were not confirmed. Brazil sells iron, cocoa and steel products to China. In exchange, we buy chemical products and pharmaceuticals, but on a small scale. For that reason, the development of trade between the two countries is not very significant: \$160 million in 1978, the year we began bilateral transactions; \$201 million in 1979; and \$350 million in 1980. Only one company--an American company--represents national industries in Beijing: it is the WJS, connected with BRASILINVEST, principally.

Brazilian businessmen have not yet discovered China's potential now that Deng Xiaoping's policy of openness favors economic exchange with countries at the same level of development. To secure contracts in China is a process that requires patience because the results appear only after a long period, say international trade specialists. But it is worth trying because only those who have been represented here for some time will have a chance in the market and will be able to gather the fruits of the economic development of China, whose future diplomats avow, will be identical to that of Japan.

We know, however, that the shock of the West may be fatal for the Chinese. Before accepting our way of life, they have to make another cultural revolution, different from the earlier one, gradually discovering what exists on the outside, controlling the flow of new ideas, declared a Brazilian observer.

8711
CS0: 3001

PUBLICATION BAN ON BOOK ON 'LONQUEN DEATHS' DISCUSSED

Santiago HOY in Spanish 14-20 Jan 81 pp 41-42

[Article by Juan Andres Pina: "Ban on Publishing Public Documents Cannot Be Appealed and Opens Doubts for the Future"]

[Text] On 24 December, former education minister and attorney Maximo Pacheco Gomez received what, with irony, he called a "Christmas present from the Supreme Court"--the Judicial Branch would not approve his appeal for the protection of his book "Lonquen" (Aconcagua Publishers, 1980), which had been banned.

In April of the year which has just ended, the then chief of the State of Emergency Zone, Gen Humberto Gordon, issued a decree ordering that all books must go through censorship and must be authorized before they can be circulated. This step was taken a few days before the day set for the distribution of the book "Lonquen" by Aconcagua. When a ban was placed on the sale of the book, Pacheco filed an appeal, alleging that this step was unlawful. The Court of Appeals did not approve his petition and the Supreme Court confirmed that ruling several weeks ago. That closed a legal case but at the same time opened up a big question regarding the future of publishing activities in Chile.

"Lonquen" is a work which, according to its author, "contains nothing original." It does contain however the most important parts of the investigation conducted, starting in December 1978, on the discovery of 15 corpses in an abandoned furnace about 50 kilometers from Santiago. Pacheco wrote only the introduction to that book--three pages. The rest is a precise reproduction of the most essential aspects of the entire procedure, according to a faithful copy of the documents involved. Pacheco furthermore added information published in the newspapers, saying that the police officers implicated in the deaths of these men had gotten the benefit of amnesty granted by the government.

"Impressive Sight"

Maximo Pacheco felt the need to write and publish something about the discoveries of Lonquen for which he somehow is a protagonist. "On Thursday, 30 November 1978," he told HOY, "I received a telephone call from the office of the Archbishop of Santiago, through which Cardinal Raul Silva asked me to attend a meeting in his office. There, among other persons, I found the priest Cristian Precht, the auxiliary Bishop of Santiago Enrique Alvear, the director of the Vicarate of Solidarity Javier Luis Egana, the managing editor of the magazine QUE PASA Jaime Martinez,

the assistant managing editor of the magazine HOY Abraham Santibanez. We were told that a priest had received a report as to the existence of a cemetery in the town of Lonquen."

The group went to the place and recognized the furnaces which, some time ago, had been used to process minerals. It tried to open them from above; that was impossible because they were covered by a thick layer of cement. They tried from underneath and gradually they discovered the existence of human remnants. In a big drill hole and with improvised torches, they found a pile of bones, all mixed together. According to Pacheco, "I was so profoundly impressed by this that I had to leave the tunnel to get hold of myself."

For the attorney, this sight was one of the most impressive of his life. After closing the lower part of the furnace again, the group returned to Santiago and on the next day they petitioned the chief justice of the supreme court to make a quick investigation. The year was taken up by the proceedings which made it possible to identify the 15 corpses belonging to persons who had been arrested by the police and who had been identified.

"Illegal Censorship"

Pacheco credits change with the discovery of the furnaces since any corpse, upon being buried and covered with lime and stone, with the passage of time turns to dust. "This procedure was commonly used by the Nazis," he explained, "because it left no trace. But here, an air chamber developed in the lower part of the furnace which oxygenated the lime and prevented the combustion of the bodies; it was not hermetically sealed. All of this and the story of 15 dead men were cleared up during the trial. In the end, the Forensic Medicine Institute ruled that it was not possible to determine the cause of death by studying the remnants."

The commotion caused by this case was so bad that Pacheco thought of writing a book to tell the story. But he refrained from doing that when he realized that he would be stopped by the government because of his Christian Democratic record and the fact that he was a dissident who opposed the military administration. He then selected a part of the five-volume document and 1850 sheets, turning them over to the Aconcagua Publishing House. The purpose of publishing the book was "to let public opinion know more about the damnable event so that it would not happen again. The only thing that inspired the book in me was love of the truth, justice, and the law, and the certainty that brotherly coexistence can be achieved only through respect for the dignity of the human individual."

In Pacheco's judgment, the ban on "Lonquen" constitutes a flagrant act of unlawfulness. He pointed out two very serious things: "If a finished document--and this is what it was--can be viewed by any citizen, then there is no reason to publish it. Anybody can go to the courts, according to the law, and request the records of a trial. They are public. Therefore, they can be printed and distributed. In a personal conversation with General Gordon, I was told that the book was banned because it might cause alarm and worry among the population. But the courts, involved in my appeal action, did not express themselves on the basic matter involved but simply said that the decrees issued by the commander of the emergency state zone cannot be appealed."

The Lesser Evil?

Here is the second serious factor in the opinion of Pecheco: "On the basis of that decree, the citizen is in a defenseless position. If it occurs to the commander of the emergency state zone to prohibit the circulation of any books, nothing can be done, there can be no appeal because 'Lonquen' has created a precedent to the effect that the courts do not rule on the decrees issued by that authority. So long as there is a state of emergency, nobody can defend himself against this kind of censorship."

Until the ban on "Lonquen," censorship in the publishing field almost was based on self-censorship in Chile: neither the authors, nor the publishing houses dared to publish anything that would bother the regime. Now, on the other hand, there are special cases on which the government can act. But the situation of the publishing houses continues to be chaotic. The publishers send to the Diego Portales building anything that might be controversial since there is no clear legislation on that issue.

For Luis Sanchez Latorre, president of the SECH (Writers Association of Chile), censorship works when the government wants, in accordance with its criteria, whenever something that is supposed to be published does not please it.

"In Chile," I told HOY, "there is no codified censorship, as there was during the Franco dictatorship in Spain. Everything here is subjected to the extremely arbitrary action of the authorities. There is no doubt that 'Lonquen' created uneasiness in the administration; it banned it, thus creating a grave precedent. The democratic mentality is different: there are laws and you know where you stand; for example, you can write without downgrading anybody's dignity. There, they apply a code under specific circumstances. Here they do not; nobody knows what will happen to a book."

The president of SECH does not feel that codified and organized censorship is desirable ("We are not going to ask for that, are we?") and this system is "preferable." It is the lesser of two evils. But, of course, Sanchez Latorre is not satisfied. Both he and Maximo Pacheco want the old system in Chile, "where there was no censorship of any kind and the laws defended the citizen."

5058

CSO:3010/732

'INCREASED MILITARISM' IN SOUTHERN CONE NOTED

Havana PRISMA LATINOAMERICANO in Spanish Dec 80 pp 34-39

[Article by Aurora Morera: "Militarism on the Rise"; passages enclosed in slant-lined printed in italics]

[Text] The commander in chief of the Uruguayan Army, Lt Gen Luis Queirolo, recently said: "The armed forces of the Southern Cone are not going to cede the right to protect the interests of their fellow citizens to anyone." He also asserted the need to find a common philosophy and doctrine to combat Marxist ideology.

At the same time, Argentine President Jorge Videla confessed his sympathy for the Bolivian military junta that led the 189th coup in that country and revealed that he preferred peace under a military regime than a formally democratic government that might permit the formation of "another Cuba" behind its back.

The "peace" which Videla mentioned cost Bolivia about 1,000 lives in a single month, destroyed the student, social and union organizations and established a system of corruption, persecution and terror aimed at upholding the old structures of power and closing the way to any revolutionary-democratic idea.

The Argentine president also stated recently that the thousands of dead, missing and tortured were the logical and necessary result of the war against subversion.

Behind Videla's statements, the Bolivian coup and the military fanaticism in the Southern Cone, there is an obvious fear of the increased just struggles by the people which are becoming more intense on the continent and an indication of the inability of the dictatorships to prevent their overthrow by themselves.

There is also an obvious although secret repressive alliance among the military regimes in the area, united by the common doctrine of /national security/. It upholds the hypothesis of "permanent war" against insurrection, a third world war already in progress for them.

According to the head of the Chilean junta, Gen Augusto Pinochet, it is a war "that does not respond to the classic model of front lines but consists of subversive actions. The armed forces have become the most solid bulwark against Marxism."

The establishment of fascism through militarization of the state in the American Southern Cone has been the imperialist alternative to protect its interests in the

area after the Cuban revolution, as a real experience, aroused continental revolutionary awareness.

In recent years, the military in the American Southern Cone watched with concern the disintegration of almost half a century of Somozist dictatorship in Nicaragua and the political and social changes in Caribbean countries like Grenada and Jamaica. They do not hide their fear of the possible formation of a "red belt" in Central America with inevitable effect on the rest of the countries in Latin America.

This topic was analyzed and discussed at the 13th CEA [Conference of Commanders of American Armies] held in Colombia in November 1979. The Nicaraguan revolution was pointed out as the principal guerrilla base for Latin America now. It was said that the armed rebellion in El Salvador and Guatemala is a logical result of the Sandinist victory and, of course, not the end of it.

Tacit Agreement

This term was more or less used by the Paraguayan minister of defense, Gen Marcial Samaniego, who stated that, although an official alliance cannot be cited, "there has been a tacit agreement and understanding for some time." "We have always held meetings on political understandings in the Southern Cone. It is a practicality and a reality that we have encouraged for some time."

The South American dictatorships time and again deny the existence of a regional defense pact that covers the waters of the South Atlantic which is incalculably important strategically and militarily.

The loudest denials come from Argentina and Brazil. If they publicly recognize their participation in an agreement of that type, it could hurt their relations with the nations of the Andean Pact from which they hope to receive advantageous economic trade.

Brazil does not want to endanger its pragmatic policy with former Portuguese colonies which are a source of markets. A pact to defend the South Atlantic would have to include South Africa which would close doors in Angola, Mozambique and other young republics on the African continent.

Nevertheless, the systematic, precise and even irrational preparations of the armed forces in the Southern Cone for a so-called war against subversion is a poorly kept secret of the military dictatorships.

There is irrefutable proof of the alliance among the secret forces of Argentina, Uruguay, Paraguay, Chile, Brazil and Bolivia for the pursuit and elimination of revolutionaries.

The joint air and naval operations, meetings, consultations, intensification of war production--basically in Argentina and Brazil--and the charges about the real objectives of the nuclear programs in those two countries represent a source of regional tension that endangers peace and is a latent threat to the nonaligned nations on the continent.

This dangerous warmongering policy is part of Washington's plans to create a so-called "peacekeeping force" in America and a "multinational patrolling force" with police duties.

In spite of the denials about the existence of a bloc for the defense of the South Atlantic, it is a fact that the Pentagon does not stint efforts or resources for the formation of such a group in order to control the maritime and air routes that border South America and Africa.

A top representative of the Pentagon, Franklyn Krammer, recently indicated that the use of resources to aid the formation of SATO [South Atlantic Treaty Organization] was a basic part of the U.S. military and economic aid program for the region.

These plans include Brazil, Argentina, Uruguay, South Africa and even Chile which does not have an outlet to the Atlantic but is part of the monolithic bloc in its ideology and characteristics as a militarized state.

Viola Plan

In spite of tight security measures during the 13th CEA which was held behind closed doors, some agreements which have unpredictable consequences came to light.

Gen Roberto Viola, then head of the Argentine Army (and president of Argentina beginning March 1981), proposed the formation of a bloc or front "to combat subversion," an idea accepted with approval at the military conference.

In fact, the establishment of a center to indoctrinate soldiers and officers in rightist and anticommunist ideologies was approved in order to "prevent desertions and other problems in the regular armies."

Also an international repression unit of the secret services was established under the pretext of imposing the doctrine of /national security/ in the area.

The commanders of the armies of 17 Latin American countries participated in this conference. The basic objective, according to Colombian Gen Gonzalo Forero, was "to seek an understanding among our armies in the fight against international communism and to exchange experiences on fighting urban and rural guerrillas."

The American air and naval forces conferences held this year included the formation of alliances and joint plans and strategies with openly aggressive objectives as a basic part of the agenda.

The origins of the militarization of the state in Latin America go back to the Cold War fought by the United States against the recently formed socialist bloc after World War II.

Two factors--one economic and one political--aggravated the situation. Capitalist development between 1950 and 1960 required new forms of accumulation of capital. The political struggles of the masses, beginning with the Cuban revolution (1959), went into an advanced phase with new objectives, expression and forms of organization.

Class conflicts worsened and the way to prop up a failing system of hegemony was fascism, militarization of the state and the establishment of a coercive government.

After the military coup in Brazil (1964) which overthrew the populist government of Joao Goulart, there were military uprisings in Bolivia (1971) and Uruguay and Chile (1973). The armed forces lost their traditional defense function and invaded the government to occupy key posts.

From the economic point of view, repression was the necessary consequence of the establishment of a new economic order by force.

The relationship between the military dictatorships of the Southern Cone and the economic model of the free market under the "Chicago School" is obvious.

According to this school, the only possible structure for economic development is one in which the private sector can operate freely. Prices are liberalized according to the laws of competition and inflation, the direct result of economic expansion, can only be fought through reduction of public expenditures.

Experience has demonstrated the incompatibility between respect for a state of law and expansion of such an economic policy. Persecution, at times preventive persecution, of the masses is the only way to implement it.

Invisible Enemy

The doctrine of /national security/, now the official ideology of the military governments of the American Southern Cone, facilitated the imposition of these methods.

Created at the beginning of the 1950's and patiently cultivated for 30 years by a select group of officers in the Brazilian Army, the doctrine had real application after the coup d'etat in Brazil and was adopted later by the other militarized states in the area.

The initial idea for this ideology was expressed by U.S. President Harry S. Truman in 1949 when he recommended the creation of "a broad and objective concept of national security to serve as the basis for the coordination of the actions of all the civilian and military organs responsible for the development of national potential and security."

According to the Brazilian Advanced War School, creator of the doctrine in the southern part of the continent, /national security/ is "the guarantee by the state of the conquest and protection of national objectives despite antagonisms and pressures."

What is done under the auspices of /national security/ is impressive. Civil freedoms and rights are curtailed; the armed forces do not accept opinions that differ from theirs, even in the most unimportant aspects; and war becomes a war to the death against defenseless citizens.

The result of almost two decades of /national security/ in the Southern Cone is: dozens of banned political parties; disbanded democratic, student and worker

organizations; hundreds of thousands of persons exiled and an equal number killed; and filled jails and torn up towns. However, they are in the process of reorganization for renewed battle.

The United States was actually the carrier of the so-called doctrine of /national security/ to the countries in Latin America. The means of transmission were: military treaties; shipment of weapons, support and financing to military coups against democratic governments; and military training programs, for example, in the counterinsurgency schools in Fort Gulik in the Panama Canal Zone.

The USARSA [U. S. Army School of the Americas] which is exclusively for Latin Americans boasts that its students have risen to such important jobs as ministers of defense, chiefs of staff, intelligence chiefs and other top positions in Bolivia, Argentina, Uruguay, Chile, etc.

Other schools include the Inter-American Air Force Academy, the Eighth Special Forces (Green Berets) and the Inter-American Defense College.

All of them have trained the top officers of the Latin American armed forces ideologically and militarily and prepared them for a permanent war against revolutionary ideas and actions.

Washington aid to the military dictatorships in the Southern Cone was a major factor from the beginning. Between 1961 and 1971 alone, the Pentagon spent more than \$283 billion on the program of the /Public Safety Office/ to supply communications equipment, intelligence systems and antiriot devices to Latin American police forces.

During that same decade, the United States spent about \$1 billion on military modernization programs in Latin America, mostly for war against subversion.

In addition to the large U.S. arms monopolies, West German and British firms and firms from other member countries of NATO compete to supply the South American military dictatorships.

Brazilian Arms

A report from the UN World Register of Arms Sales and Military Shipments classifies Brazil as one of the top five arms exporters in the world. In 1979, the war materiel manufactured in that country had its highest price and demand.

That year the production of war materiel represented about \$4 billion, the total sales of the United States, and arms exports equaled one-third of total sales abroad (\$12 billion).

The year before, Brazil only received 80 orders for arms, mostly from neighboring countries. In 1979, it received 349 orders, the most desperate from the toppling Anastasio Somoza in Nicaragua.

In its desire to develop its war industry, Brazil looked for suppliers and access to European technology, signing agreements with the most powerful European consortia, especially in the FRG.

Brazil's role in the accelerated militarism in the American Southern Cone merits special attention.

It has one of the largest armies in Latin America with 600,000 members. It is the fourth largest arms exporter in the world and promotor of a regional expansionist and arms race. Brazil is a threat to its neighboring states and the nonaligned countries on the continent, whose meetings Brazil attends as an observer.

The Brazilian military have started a complex and advanced technological project with the objective of becoming the top nuclear power in Latin America in this decade.

A recent report of SIPRI (International Peace Research Institute) on the denuclearization of Latin America indicated: "The Brazilian Government is now negotiating the purchase of technological equipment to process plutonium (basic element for atomic bombs) for which it does not have any apparent commercial or technical need, at least in the medium term."

It stated that, once self-sufficiency in nuclear material was achieved, the largest nation on the subcontinent will devote itself to the production of atomic weapons.

Brazil's position, free from the main treaties on nuclear control and disarmament, gives it carte blanche for such projects.

Of the agreements signed by the international community as of 1979, Brazil has only signed the oldest ones: the Antarctic Treaty (1961) and the treaty banning atmospheric and underwater nuclear tests (1963). After the 1964 coup, the military have systematically refused to sign other agreements of this type.

Argentina, with its own plans for regional hegemony, does not want to lag behind. It is pressured to develop its own nuclear program with aid, like Brazil, from the FRG.

During the first coordinating meeting of the nonaligned countries to discuss peaceful uses of atomic energy, Argentina wanted to condemn the nonproliferation treaty and all similar agreements.

The Argentine military based their proposal on the pretext that such agreements are "discriminatory in favor of the large powers."

The Argentine proposal failed because of lack of support by the participants but it did not change its plans and projects in the nuclear and military field.

The charges that Argentina intends to manufacture an atomic bomb gain credibility upon learning that the nuclear program costs about \$15 billion. Like Brazil, it would be cheaper for it to exploit its large sources of hydroelectric energy.

The rapprochement between these two countries after long years of quarrels and the signing of bilateral "cooperation" agreements in the nuclear and military sector are significant.

Both nations had frequent visits in recent months by top officers of the army, the navy and air force. The two presidents made reciprocal visits in less than 6 months and the naval joint maneuvers that were held every 2 years are now being held annually.

During a week's visit to Brazil last July, the head of the Argentine Navy, Adm Armando Lambru Schini, said that the two countries have "a proposed plan for coexistence."

The continual improvement of these ties "might be one of the clearest and most vivid examples of this model that is being proposed," Schini added.

Looking at it in the continental context, the accelerated arms race by Brazil and Argentina and the belligerent attitude of their military neighbors endanger the peace and stability in this part of the world.

Such plans go against the wisest proposals of the nonaligned movement to deflect the enormous resources allotted for arms to contribute to the development of the people.

As the president of the nonaligned movement, Fidel Castro, indicated in his speech at the United Nations, it is time to say "farewell to arms" and dedicate ourselves in a civilized way to the most overwhelming problems of our time.

Principal War Materiel Produced in Brazil

Piranha air-to-air missiles;
Caracara teledirected intercontinental missiles (land-sea and ground-air);
Heavy artillery tanks;
Ururu and Cascavel armored vehicles (with Italian patent), one of the most modern in the world;
Bandeirante counterinsurgency bombers (Italian patent);
Xavantes rocket-launching airplanes;
Reconnaissance airplanes;
Sauro atomic submarines;
Combat and gun ships;
Bandeirante EMB-118 paratrooper air transports (Italian patent);
Local version of Mirage airplanes after plans are finalized with the French firm Desault Borguet; and
Tam heavy tanks, now used by NATO forces, with technology and assistance from the FRG.

Brazil, Exporter and Importer

Brazil, the fourth largest arms exporter in the world, was in third place in 1979 in imports; it purchased \$1,842,000,000 worth, 24 percent of the total South American purchases.

Brazilian purchases include: directed rockets from the FRG; helicopter gunships from France; and 100,000 machine guns, pistols, automatic rifles and tear-gas grenades from the United States. Brazilian authorities signed an agreement with the United Kingdom to purchase 154 torpedo boats.

Armed Forces

Brazil: armed forces--600,800 members (1978); paramilitary forces--more than 200,000 members; arms expenditures--more than \$2.05 billion.

Argentina: armed forces--132,900 members; paramilitary forces--more than 42,000 members; arms expenditures--\$1.66 billion.

Chile: armed forces--95,000 members; "carabineros" (militarized police)--30,000 members; arms expenditures--\$750 million.

Uruguay: armed forces--18,500 members; reserve--120,000 members.

Paraguay: armed forces--89,000 members; paramilitary forces--20,000 members; arms expenditures--\$406 million.

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CSO: 3010

INTERNATIONAL MEDIA SEEN AS NEW FORM OF COLONIALISM

Havana PRISMA LATINOAMERICANO in Spanish Dec 80 p 2

[Article by Carlos Mora Herman: "Modernization of Neocolonialism"]

[Text] At the beginning of this year, the United States began to modernize its neocolonialist strategy, trying to adapt it to prevailing conditions on the continent.

In general, Latin America is active in the fight by the developing countries to establish the NOEI [New International Economic Order] as well as the NOII [New International Information Order], both of which disturb the Washington government.

It is no accident that the U.S. Congress recognized that Latin America is not only an ideological leader of the developing countries that want to establish the NOEI but is also taking important initiatives in that direction.

Important UN documents related to the NOEI have been approved at the initiative of Latin American countries.

These include: the Program of Action, the Charter of Economic Rights and Obligations of States and the Behavior Code for the Multinationals.

Because of the above, the jumbled U.S. foreign policy considers Latin America a priority objective of ideological attack and an experimental area for perfecting methods of ideological sabotage and psychological influence.

The United States is going through a crisis in its neocolonialist ideology which it is now trying to embellish and project on the continent under the name "cultural relations."

According to a U.S. expert, Mr J. Atkins, it is precisely through those "cultural relations" that political objectives are achieved.

Experts like Atkins try to demonstrate that there is a point of convergence between U.S. and Latin American culture.

Washington's continental ideological offensive functions through mechanisms that spread the official versions of foreign policy problems, praise U.S. ideas, concepts

and doctrines in politics, economics, culture and ethics and make propaganda about the U.S. way of life and the U.S. point of view on human rights.

To achieve its objectives and to modernize its neocolonialist strategy, the United States basically needs to maintain and improve its control over Latin American mass media: newspapers, magazines, radio, television, movies, books, etc.

The Report on Foreign Radio Broadcasting which President Jimmy Carter sent to the U.S. Congress in March 1977 stated that "radio is one of the key elements of U.S. foreign policy."

After that report, the number of Voice of America radio broadcasts increased considerably.

This modernization of ideological neocolonialism is carried out through the DRI [International Relations Office] created by Carter on 1 April 1978 to replace the USIA [U.S. Information Agency].

The DRI is based in Washington but has 10 offices in the United States, 189 regional offices--"cultural centers"--and some 9,000 employees.

Its 1979 budget was more than \$400 million; this increased \$35 million in 1980.

The DRI is a cultural penetration center with offices in 23 countries, 69 bilateral centers, 5 libraries and 10 large propaganda distribution centers.

It also carefully prepares material for Latin American radio and makes and distributes documentary films, magazines, pamphlets, etc.

In a study on the reorientation of U.S. propaganda in the 1970's, Soviet journalist Karen Jachaturov from NOVOSTI defined one aspect of that reorientation: individualized propaganda for specific audiences.

Jachaturov explained that that propaganda is directed at specific listeners and selectively uses means of ideological and psychological influence in order to have a strong effect on certain strata of the population in different countries. This is based on their social class, political points of view, religious convictions, profession, education, nationality, ethnic group, age and sex.

That propaganda is aimed at the Latin American unions, youth, intellectuals, women, peasants and armed forces.

The United States is going through a "crisis of confidence" and a "crisis of spirit." For that reason, Zbigniew Brzezinski, adviser to President Jimmy Carter, called the human rights campaign launched by the president a contribution to the "spiritual rebirth of the West."

It is a rebirth that actively involves the ideological struggle. It also involves the support of arms and military advisers to regimes that are gullible.

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CSO: 3010

NATIONAL ECONOMIC PLANNING RESULTS NOTED

Havana PRISMA LATINOAMERICANO in Spanish Dec 80 p 58

[Article by Jose Bodes Gomez: "Happy Holidays and a Prosperous 5-Year Period"]

[Text] With the end of 1980, the Cuban economy not only ends 12 months of work but also completes its first 5-Year Economic and Social Development Plan.

These past 5 years since the First Party Congress approved the 1976-80 plan have seen many experiments and difficult tests.

The virtues and faults of economic planning have been discussed in Latin America for more than two decades. At first, many bourgeois economists saw this as an "exotic" method, proper only to socialist countries.

Basically what is under discussion is the need to plan the economy as a whole—that is, globally—or only those sectors where an accelerated growth is desired.

Already some capitalist countries today recognize the importance of global planning which permits smooth and rational development. This is certainly an old and unattained aspiration but it is based on fixed objectives which are merely reflective, not guidelines for economic activity.

Actually, regimes based on private ownership are unable to advance toward truly effective planning because the power of decision is not in their hands but in the hands of the dominant financial and monopolistic groups (national or foreign) in the country in question.

It is hard to imagine governments, closely tied to those interests and lacking a firm determination to exercise their sovereign rights, deciding to place the operations of a multinational monopoly or oligarchical elites in key sectors of the national economy within a framework of planned activities.

Global planning is possible in Cuba because first there was a radical transformation of the system of ownership. All the mechanisms of the economy can be mobilized toward precise goals. In this way, economic growth becomes a development factor that results in increased well-being for all the people, not just a small part of society.

Planning is a highly complex task. Along with technically trained personnel, it requires something basic: the participation of the working masses, those who directly execute the plan and, with their effort, make the objectives attainable.

The first 5-year plan in Cuba was carried out simultaneously with the implementation of the initial phase of the SDPE [Economic Management and Planning System] based on economic calculation.

This new system includes other mechanisms like statistics, price policy, financial system, bank credit, organization of the business network, establishment of consumption norms in the production spheres and services, regulation of the investment process, etc.

Progress in the implementation of the SDPE has been an important factor in confronting the problems of organization and control. It also helps create the conditions for greater demand in the execution of tasks and increased work efficiency.

The 1976-80 plan was carried out in the midst of a prolonged decline in sugar prices--the main export of the country--and inflation which makes the raw materials that Cuba imports from the capitalist area increasingly expensive.

In spite of the problems, the work done in the Cuban economy during this 5-year period shows a positive balance.

We find an eloquent sign in the results obtained in the sugar industry. Production in the last 5 years surpassed production in the 1971-75 period by almost 25 percent. The average per harvest increased from 5.5 million to 7 million metric tons.

It should be pointed out here that, during these years of depressed sugar prices and increased oil prices, Cuba has been able to moderate the effects of those two adverse processes through its trade relations with the Soviet Union and other socialist countries which are based on just prices in accord with its developmental needs.

In the next 5-year period, Cuba proposes to continue increasing the capacity of its sugar industry through the construction of new mills and the expansion of already existing factories in order to achieve a 30-percent increase in production during that period.

The overall social product of the Cuban economy has a 5-percent rate of growth, an annual average that is slightly lower than anticipated in the 1976-80 development plan but unquestionably good compared to the evolution of the gross domestic product which other Latin American countries reported for the same period.

There is no doubt that, in order to conquer underdevelopment, several more 5-year periods of hard work are needed. However, this effort will have a just reward since the principle of distribution in Cuba now is: "From each according to his ability; to each according to his work."

It remains clear that the only ones excluded from this task are those who do not want to work--and each day there are fewer in the country--because Cuba is a society of voluntary revolutionaries, according to President Fidel Castro. When the first day of 1981 arrives, the people of Cuba will celebrate the 22nd anniversary of national liberation and will begin the march toward new goals.

JOINT COMMAND CHIEF: ARMED FORCES READY TO FIGHT TERRORISM

Lima EL COMERCIO in Spanish 16 Jan 81 p 4

[Text] The chief of the Joint Command of the Armed Forces, Vice Admiral Juan Egusquiza Babilonia, said yesterday that there is nothing to be gained by work stoppages and strikes. "What we need at this time is to work and produce more to build a great nation," he observed.

After attending the ceremony honoring the heroes of the Battle of Miraflores at Redoubt Park No 3 in Surquillo, the high-ranking naval officer commented on the work stoppage called yesterday. He said that, personally, he rejected strikes because he believed that they do not lead to anything positive, at least nothing positive in the productive area.

Against Terrorism

At another point in his talk with newsmen, in connection with the outbreaks of terrorism, especially in the country's central mountain range, he indicated that the armed forces are ready to go into action.

"The units of the armed forces are ready to act whenever the president of the republic deems that necessary, issues the order and declares a state of emergency in accordance with the constitution and the law," he said.

With regard to the recently promulgated oil law, he said that the joint command will issue its opinion in the form of a study to be carried out. He explained that it is the decision of the government to task for the opinion of that organization.

Finally, referring to the ceremony honoring the heroes who died at the Battle of Miraflores, he said that the legacy of those civilian and military heroes who sacrificed their lives for their country must be a challenge to work more and to be able to follow their example. "We must make this country great in order to become worthy of that legacy," asserted Vice Admiral Egusquiza Babilonia.

8711

CSO: 3010

CONGRESSIONAL LEADERS REACT TO APRA LEADER'S EXPULSION

Lima EL COMERCIO in Spanish 10 Jan 81 p 4

[Text] The ouster of Deputy Andres Townsend Ezcurra from the Aprista Party revealed yesterday aroused the expected comment among congressional circles.

Some Aprista congressmen commented on the correctness of the measure, while representatives of other blocs, without exception, expressed regret about the internal situation of that organization and hoped that normalcy would be restored. They expressed that hope in defense of the democracy that currently prevails in the country.

Cox Larco

The founder of the Aprista Party of Peru (PAP) and senator for that party, Carlos Manuel Cox, pointed out that "the ouster is just, because Townsend assumed a real divisionist position vis-a-vis the party."

He declared that "with his departure, tranquillity will return to the party because it has served as an example and a case of definition to show who are the real Apristas, who supports its doctrine, which is the doctrine left to us by Haya de la Torre."

With regard to what is indicated to be a division in the American Revolutionary Popular Party (APRA) as a result of the ouster of Townsend, he said that "that will not occur, it has only been the purge that usually happens in any party and it is the purge that is going to strengthen APRA in this case."

Vargas Haya

Aprista Deputy Hector Vargas said "we who have already lived more than three decades listening to the advice of the founder of Aprismo, only have as our Bible, "Anti-Imperialism and APRA"; that is why I consider that whoever believes that there have been deviations within my party is either suffering from amnesia or some sort of poor circulation that affects the mind, or has forgotten the book I have mentioned.

"With Haya's death," he added, "it behooves us Apristas to submit solely and exclusively to the canons of that work of his, and whoever does not want to submit to those dictates well, he is the one who is deviating and not we."

Guevara Velasco

Senator Adolfo Guevara Velasco, also of the PAP, said that here he had to apply a paraphrase of the saying, "Invoking and imploring Haya, while smashing the party..."

He also said that the outcome of the case "was the one expected and which we all know."

He said, finally, that it was only the graphic illustration of that othersaying "if you take the pitcher to the well once too often, you will break the handle."

Alva Orlandini

The Popular Action senator at first said, "No comment," with regard to the Townsend case. He said that that is an internal matter of the PAP about which he preferred not to express an opinion.

With reference to future relations between the PAP and the other blocs in the Chamber of Deputies, Alva explained that "those relations will remain unchanged."

He pointed out that he could not "predict what might happen," when he was asked about possible difficulties in dealings among the various blocs.

He said also that he could not say "how large were the contending groups nor what effect the ouster of Townsend from his party might bring about."

Layneze Vodanovic

Populist Deputy Dagoberto Laynez Vodanovic said: "As a member of a democratic party I believe, in principle, that it is not proper to assess or judge the events that occur in other parties."

However, he said that he wanted "to make it clear that a democracy is strong when the parties are rigidly united: leaders and members."

"In the case of APRA," he concluded, "the blood has not reached the river and there can be a reconciliation in the future." He also expressed the hope that "that party will resume its course because that is what Peruvian democracy requires."

Trelles Montes

Senator Oscar Trelles Montes, from the ranks of Popular Action (AP) and president of the Upper House, said that up to that moment he did not know if the story of Townsend's ouster was correct, saying that, personally, "he hoped it was not."

He said that up to midnight of the previous day, he had not heard anything about the ouster, which he termed "regrettable from a general point of view, but each party knows what it is doing, especially with regard to an internal in-house, manner,"

Francisco Belaunde

The president of the Chamber of Deputies, Francisco Belaunde Terry declared that "the case is an internal problem of APRA," which "the Apristas must solve."

With regard to the supposed repercussions of the Townsend ouster on political life in general, Belaunde said that "the ideal thing would be for all the parties to be united but since that is an internal problem posed within APRA, it must be solved according to internal party rules."

He said that "perhaps there may be a reconciliation later" because "sometimes couples fight among themselves and then become reconciled."

Jose Larco Leon

Populist Deputy Jose Larco Leon said that "the expulsion of Andres Townsend Ezcurra must be regretted because it represents a schism in that political organization."

He said that it was all the more regrettable "when it occurs in a party such as APRA, that is so active." He concluded by saying that it was even more regrettable for what the situation created means to the democracy that our country is now experiencing.

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CSO: 3010

NEW MAYOR TAKES OATH, ANNOUNCES SECURITY PLAN

Orrego Takes Oath

Lima EL COMERCIO in Spanish 2 Jan 81 p 1

[Text] The new mayor of Lima, Eduardo Orrego Villacorta said yesterday, after taking the oath of office, that the city must be confident that "dissension in municipal activities will only be allowed to better serve the interests of the local population, since all the aldermen, inspired by the same democratic spirit, will always find, regardless of political affiliations, the necessary consensus for responsible and efficient leadership."

These were the statements made after taking the oath of office at the ceremony in the great hall of the municipal palace, attended by President Fernando Belaunde Terry, Public officials and ministers of state, among other outstanding figures.

In a short speech, President Belaunde stressed that municipal bodies are the origin and goal of democracy, from which they originate and their duty will be to consolidate it at the national level.

The new mayor stressed the fact that the people sought to establish a council with broad, pluralistic participation of all political forces.

He went on to say that it was a challenge and at the same time an honor for all the members of the municipal government to "take on the democratic duties given them by the electors, since we are separated by our political convictions but at the same time we are identified by our common goals of service to people."

In regard to this, he pointed out: "After all, need has no ideologies, nor does the anguish of the people require a political pennant to draw the awareness of conscientious and responsible men."

"We wish to serve our neighbors faithfully, efficiently and honestly," Orrego declared elsewhere in his speech, which was interrupted by applause on several occasions.

He also appealed for the cooperation of all municipal workers, indicating that without discipline and a serious and mature determination to achieve optimum yields, there can be no better conduct and no viable improvement of services and of the level of attention to collective needs.

He stated that in his view, there is no doubt that "this same spirit also inspires those who, together, will be the main actors and the responsible figures in a new drama which history will record only if we put behind us--body and soul--the democratic illusion that has driven us forward thus far."

Lastly, he noted that action by the municipal authority will be directed to dealing with the humblest groups and sectors of the capital's population. He referred to decentralization, which the people supported with their votes on 18 May, in favor of harmonious and integral development at the national level.

Urban Security Service Planned

Lima LA PRENSA in Spanish 29 Dec 80 p 4

[Text] In January, the provincial council of Lima will inaugurate an urban security service, designed to look out for the safety of the population of Lima. This announcement was made yesterday by the elected mayor, architect Eduardo Orrego Villacorta, when interviewed as he was leaving the Mayors' Convention.

He indicated that this defense organization will be staffed by volunteers who are ready to fight robbery, looting, delinquency and terrorism, if possible.

He made it clear that the Urban security service will be quite similar to the old "night watchman" system, but in a modernized form. These "nightwatchmen" planned for the metropolitan area of Lima will be useful in fighting against subversion, but they will require prior training.

"Terrorism must be eradicated from the country and for that we must use any means within our reach. This may be a good solution but it must be carefully studied," he said.

Referring to the incoming year, Orrego Villacorta expressed the hope that the Peruvian people may enjoy social tranquility and that the politicians may be able to join together so that democracy may take on a concrete form and sink its roots in Peru.

"Social peace will prevail only when better salaries are paid and better living conditions are made available to the people. Therefore, I call upon the Central Government to provide the guide-lines necessary to enable this dream to become a reality in 1981," he added, in closing.

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GOVERNMENT WILL NOT ACCEPT POLITICAL, UNION PRESSURES

Lima EL COMERCIO in Spanish 19 Jan 81 p 1

[Text] The government will not accept pressures, threats or union dictatorships because it emanates from the popular vote. That warning was voiced yesterday by president of the Council of Ministers and Minister of Economy, Finance and Commerce Manuel Ulloa Elias.

He said that the regime headed by Fernando Belaunde Terry is not going to have its activity restricted by a political sector "that is only interested in bringing grist to its own mill and destabilizing the government."

He added that whatever the attitude of the communist or anarchist groups, "the government is not going to be subject to the will or the whim of those minority groups, which are not very representative."

To allow an union dictatorship to manipulate the country and impose government policy means to ignore a historic fact: the election of a democratic regime; the appointment of the ministers by the president; the election of a congress," Ulloa told reporters during a short meeting at the Jorge Chavez International Airport.

He pointed out that the country is anxious to work and to be allowed gradually to overcome the economic crisis. He then belittled the "political sector of the left," which questions his economic policy and is even asking for his resignation together with that of the minister of energy and mines, Pedro Pablo Kuczynski.

"The government will not accept pressures, threats or union dictatorships of any kind," remarked the prime minister.

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LABOR MINISTER: GENERAL STRIKE LACKED PUBLIC SUPPORT

Lima EL COMERCIO in Spanish 16 Jan 81 p 4

[Text] In what represents a demonstration of rejection, by the labor sector, of the work stoppage called by the leadership of four union organizations, approximately 70 percent of the workers went to their jobs yesterday, said Labor Minister Alfonso Gardos Bertorini.

"It is a resounding demonstration that, despite the predictions, Peru wants to work," he said during his talk with reporters at the end of the ceremony commemorating the centenary of the Battle of Miraflores that was held in No 3 Redoubt Park in Miraflores.

Grados Bertorini, who showed newsmen the results of a sampling conducted by officials from his ministry, commented that the failure of the work stoppage cannot be taken as a victory of the employers but of the system of democracy instituted last 28 July.

He then explained that, according to a sampling that covers more than 589 establishments with a total of 67,000 employees, a total of 46,000 workers reported for work. "That means an attendance of 68 percent in the whole area of Metropolitan Lima," he explained.

He pointed out that other important indicators are the following: 61.5 percent of the industrial workers reported for work; 75 percent of civil construction workers; approximately 80 and 86 percent of the workers of small and medium companies; and 60 percent of the workers of large factories that have more than 100 employees.

Minister Grados stressed that attendance in the Central Peruvian Mining Enterprise (CENTROMIN) was almost 70 percent; in Ilo, a large percentage; in communal services (health, education, etc.), 96.2 percent; in transportation, almost 100 percent. Then he observed, "The bank workers did stay away from work. They are well paid and, therefore, can permit themselves the luxury of staying off work."

In the North and South

With regard to a question about the situation in the northern region of the country, Grados Bertorini reported that attendance in that area had been normal. "I have even been informed that in some cities attendance was higher than usual," he said.

Later, he revealed that there was a large work stoppage in Cuzco after several demonstrations were held in the morning; in the meantime, in Arequipa, "the people rejected the work stoppage." Before noon, the workers of Arequipa participated in a demonstration which at the most drew 3,500 people, then they went to work; and, according to our figures, there was an attendance of more than 66 percent of the workers," the minister emphasized.

Permanent Dialog

Shortly afterwards, he declared that in the work stoppage that had been called, "the union leaders had failed in their attempt to lead the workers beyond what the workers want to do and, at the same time, it has been made clear that "when the workers are not properly represented, they have a way of demonstrating it."

He declared, on the other hand, that he hoped that now the dialog which the government is advocating "will be held on much more realistic bases and that the union leaders will not claim to represent extremist positions which the people do not share.

"We hope the leaders will understand also that dialog is a positive vehicle for solving problems. We cannot raise wages overnight so that everyone can live decently; but through dialog, we can make progress in the effort to solve the labor problems," he concluded.

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